

Algold Resources (ALG-V)

More Drill Results From Eleonore in Mauritania

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Algold Resources controls land positions to the north and southeast of Kinross Gold's (K-T, not covered, no rating) Tasiast gold mine in Mauritania. The focus of current exploration activity is the **Tijirit Project** located some 30km southeast of the Tasiast gold mine.

Drill Results: this morning, Algold reported additional assay results from the 10,000m Phase 2 drill programme. Gold mineralization at the **Eleonore** zone has now been observed over a 3.4km strike length.

1. **Eleonore North** – drill intercept of **2m grading 15.85g/t**, which infills from the 300m step-out hole reported last press release.
2. **Eleonore Central:** hole#116 yielded **7m grading 1.66g/t**, an infill hole.
3. **Eleonore South:** drill intercepts of **2m grading 7.65g/t, 6m grading 4.13g/t, 4m grading 4.07g/t** and **7m grading 1.14g/t**, most of which look to extend the zone (both NE and to the SW).

Our Take: several of the reported intercepts represent parallel structures to the main high-grade veins, thus reflect widening the mineralized zones at Eleonore. With multiple veins, gold resources can grow more rapidly, provide wider zones for mining, thus improving economic viability.

Update				
Speculative 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
			\$0.07	\$0.44
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	185
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		118.2	million	
Mgt/Insiders		4%		
		(C\$MM)		
Market Cap		\$28.4		
LT Debt (corporate)		\$0.0		
Working Capital		\$5.0		
Enterprise Value		\$23.4		
Fiscal Year End		December 31		
Reserves / Resources				
2P Reserves		-		
M+I Resources		0.03	MMoz	
Total Resources (M+I+I)		0.27	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	Q2/16	Q3/16e	Q4/16e
EPS (operating)	\$0.00	-\$0.01	\$0.00	-\$0.01
CFPS	\$0.00	-\$0.01	\$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.**



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, currently 250Koz/yr production). 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).

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 1.5MMoz resource at Tijirit. 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 Tijirit. As a result, we employ a target multiple of US\$50/oz, which represents a 20% discount to the current peer group average (see fig 3) for the fact that our targeted resource has yet to be achieved.


Fig 1 NAV Breakdown: Algold Resources

	Target Resource (MMoz)	Target AMC/oz (US\$/oz)	Value C\$M	Per Share (C\$/sh)		
				FY17e	FY18e	FY19e
Tijirit (Mauritania)	1.5	\$50	\$98	\$0.82	\$0.82	\$0.82
Other assets			\$0	\$0.00	\$0.00	\$0.00
OPERATING ASSETS			\$98	\$0.82	\$0.82	\$0.82
Working Capital			\$5	\$0.04	\$0.04	\$0.04
LT Debt (corporate only)			\$0	\$0.00	\$0.00	\$0.00
CORPORATE ASSETS			\$5	\$0.04	\$0.04	\$0.04
NET ASSET VALUE			\$103	\$0.87	\$0.87	\$0.86

Source: Company website

Using our targeted resource and AMC/oz multiple generates a \$0.85 target price for ALG shares.

Appendix : Summary Financials

Algold Resources				Beacon Securities Limited						
Symbol		ALG-V		Share Price		\$0.24				
Stock Rating		Speculative Buy		Shares O/S (MM)		118.2 Float (MM) 103.0				
Price Target		\$0.85		Mkt Cap (\$MM)		28				
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)		Warrants (MM)			
EBT	C\$MM	(1.0)	(1.5)	(1.5)	5.1	Avg. Price \$0.22	15.3	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 October 31, 2016	# Stocks	Distribution
Buy	62	72%
Speculative BUY	14	16%
Hold	3	3%
Sell	0	0%
Under Review	6	7%
Tender	2	2%
Total	86	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
Tender	Clients are advised to tender their shares to takeover bid or similar offer

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