

Algold Resources (ALG-V)

Expanding Targets For Gold Mineralization At Eleonore

January 20, 2017

Michael D. Curran, CFA

(416) 507-3950

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.

Drill Results: this morning, Algold reported remaining assay results from the 10,000m Phase 2 drill programme completed in December 2016. Gold mineralization at the **Eleonore** zone has been observed over a 3.4km strike length, and **the company announced that it has discovered a potential “mirror-image” structure ~600m to the north** of the main Eleonore zones. This structure has yet to be tested by drilling.

- Eleonore North** – drill intercept of **3m grading 4.7g/t**, which deepens the mineralized zone to 100m below surface. A **4.7m intercept grading 3.2g/t** gold was encountered in a parallel structure 50m west of a previous intercept.
- Eleonore Central:** new parallel zone identified 100m east returned an intercept of 5.53m grading 1.14g/t, **however visible gold was identified from the remaining unsampled core** (thus the actual grade likely higher).
- High Grade Grabs For Future Drilling:** other surface grab samples yielded new areas for future drill follow-up, including the West Zone (“mirror image” zone - **9.3g/t**), 200m south of Eleonore South (**43.9g/t**), and at a new area 8km north of Nour (**102.5g/t**).

Positive Metallurgical Test Results: earlier this week, initial testing indicated that Tijirit gold mineralization is amenable to conventional processing using gravity and cyanidation methods, with samples from all three zone yielding +93% gold recoveries. Additional testing suggests that the lower grade **Lily** zone may also be amenable to lower cost heap-leach processing.

Update Speculative BUY (unch.) \$0.85 (unch.)

Previous Close	\$0.23
12-month Target Price	\$0.85
Potential Return	278%
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	-\$1.9	-\$2.0	-\$2.0
Shares O/S (wgt avg)	54	100	125	178
EPS (operating)	-\$0.01	-\$0.01	-\$0.01	-\$0.01
CFPS	-\$0.01	-\$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	125.5	million
Mgt/Insiders	10%	
	(C\$MM)	
Market Cap	\$28.2	
LT Debt (corporate)	\$0.0	
Working Capital	\$3.0	
Enterprise Value	\$25.2	
Fiscal Year End	December 31	

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

	Quarterly Estimates			
	Q1/15	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	Q3/16	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.**

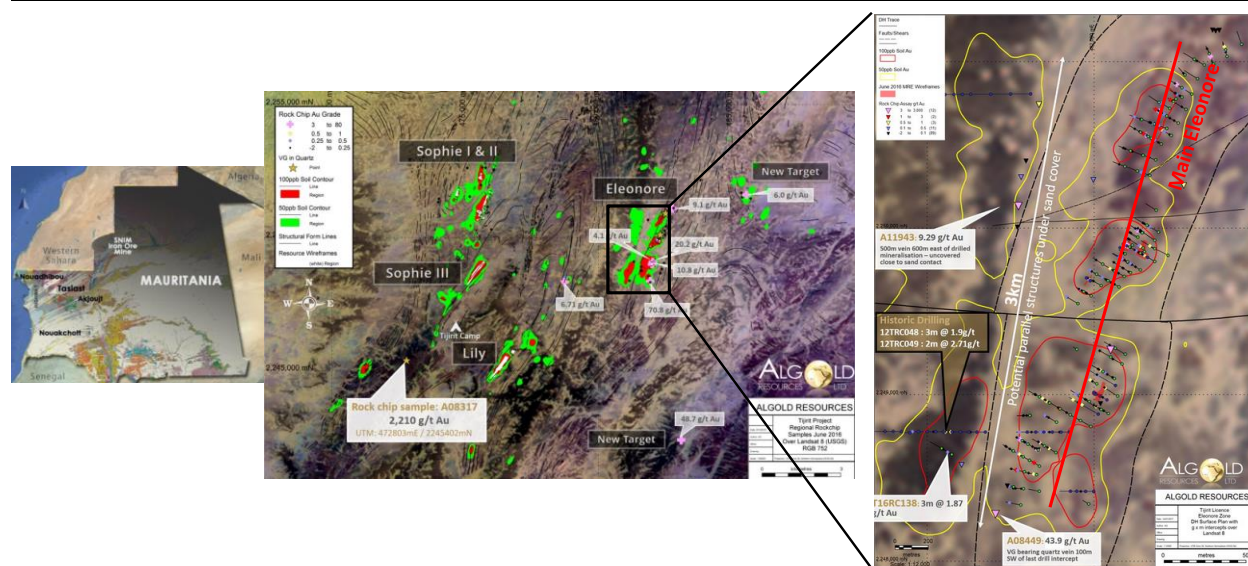
Stock Performance



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, growing to 400,000oz/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).

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 1.5MMoz resource at Tijirit, **with a target of 700-900Koz for the resource update expected next month**. 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.

Appendix : Summary Financials

Algold Resources				Beacon Securities Limited						
Symbol		ALG-V		Share Price		\$0.23				
Stock Rating		Speculative Buy		Shares O/S (MM)		125.5 Float (MM) 102.3				
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)	(1.9)	(2.0)	Yves Grou	Exec. Vice-Chairman	Salma Seetaroo			
DD&A	C\$MM	-	-	-	Dejan Ristic	CFO	Mary Batoff			
EBIT	C\$MM	(0.8)	(1.9)	(2.0)	Andre Ciesielski	Sr. Technical Consultant	Darin Milmeister			
Interest Expense	C\$MM	-	-	-	Options (MM)		Warrants (MM)			
EBT	C\$MM	(1.0)	(1.5)	(1.5)	9.9	Avg. Price \$0.26	0.7	Avg. Price \$0.30		
Taxes/Recovery	C\$MM	-	-	-	Recent Financings					
Net Income (reported)	C\$MM	(0.8)	(1.9)	(2.0)	Date	Amount	Price	Type	Warrant	Expiry
Non-Recurring Items/Other	C\$MM	(0.1)	0.4	0.5	JUL-2016	\$4.0	\$0.30	priv.placement	\$0.40	JUL-2017
Net Income (operating)	C\$MM	(0.7)	(1.4)	(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						
EPS (operating)	\$/sh	(\$0.01)	(\$0.01)	(\$0.01)						
P/E Multiple	x	n.m.	n.m.	n.m.						
Cash Flow (operating)	C\$MM	(0.7)	(1.4)	(1.5)						
CFPS	\$/sh	(\$0.01)	(\$0.01)	(\$0.01)						
P/CF Multiple	x	n.m.	n.m.	n.m.						
BALANCE SHEET										
Cash & Equivalents	C\$MM	1.1	2.7	4.1						
Total Current Assets	C\$MM	1.2	2.8	4.2						
PP&E & Mining Interests	C\$MM	6.9	12.0	13.7						
Other	C\$MM	0.1	0.1	0.1						
Total Assets	C\$MM	8.2	14.9	18.0						
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	13.5	16.7						
Total Liab. & S/Holder Equity	C\$MM	8.2	14.8	18.0						
Working Capital	C\$MM	0.4	2.0	3.5						



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 December 31, 2016	# Stocks	Distribution
Buy	67	77%
Speculative BUY	12	14%
Hold	3	3%
Sell	0	0%
Under Review	5	6%
Tender	0	0%
Total	87	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	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 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.