

Algold Resources Ltd.

PRECIOUS METALS

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All figures in C\$, unless otherwise noted.

Rating: Speculative Buy

unchanged

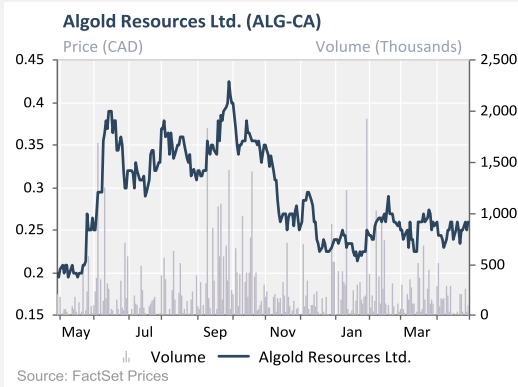
12-Month Target: \$0.70

unchanged

Price (C\$)		\$0.26
Ticker		ALG-V
FYE		31-Dec
Potential ROR (incl. dividend)		169%
Avg 3-month daily vol. (000s)		242
Shares O/S	Basic (M)	130.2
	FDIM (M)*	169.9
	FD (M)**	201.6
Market Cap	Basic (C\$M)	34
	FDIM (M)*	44
	FD (M)**	52

* FDIM - Fully Diluted, In-the-Money **FD - Fully Diluted

Company's Reporting Currency	C\$
Cash (\$M)	7
Long-Term Debt (\$M)	0
Working Capital (\$M)	6
Enterprise Value (\$M)	27



Source: FactSet, Company filings, Paradigm Capital Inc.

Company description: Algold Resources is a gold exploration company with a portfolio of properties located in the same greenstone belt that hosts the Tasiast mine (>10Moz, operated by Kinross) in Mauritania.

Updated Tijirit Resource Includes High Grade Eleonore Zone

Investment Thesis. Algold Resources acquired the Tijirit project in October 2015, and it quickly rose to be the flagship property in its portfolio. The previous operators discovered numerous showings of sub-2 g/t mineralization, similar to Tasiast. Algold has focused its efforts upon the Eleonore zone which hosts a different style of mineralization that is higher-grade. The Eleonore hosts an Inferred resource of 358Koz @ 4.18 g/t. The high-grade mineralization is what is most intriguing, in our opinion, as it makes for a stronger stand-alone story and also a takeover candidate: it is double the P&P reserve grade of the nearby Tasiast deposit, and could conceptually be developed as a satellite deposit and trucked to the Tasiast mill.

Event

Algold released an updated resource estimate for the Tijirit project in Mauritania outlining a total (all categories) resource of 645.6Koz of gold, including an inferred resource of 357.9Koz @ 4.18 g/t at the Eleonore zone.

Highlights

- ▶ **Focus Has Been on Eleonore** | Algold started its initial exploration program at the Tijirit project about one year ago, and has focused the vast majority of its efforts on the high-grade Eleonore zone. The prior resource at Eleonore, based on limited drilling by past operators, was only 25.6Koz @ 3.34 g/t (using a 1.0 g/t cut-off). The current inferred resource at Eleonore is now 357.9Koz @ 4.18 g/t (using a higher 1.5 g/t cut-off), so Algold's focus on this zone was well rewarded with a 10-fold increase in tonnage and 25% increase in gold grade.
- ▶ **The Challenge of Nuggety Gold Deposits Resource Estimation** | The Eleonore zone mineralization consists of gold-bearing quartz veins within a shear zone, with visible gold as a common occurrence. As a result, the grades of individual assays can vary greatly from under 1 g/t to over 100 g/t. The Eleonore resource estimate was capped at 45 g/t. Had no capping been applied, the average grade and total contained gold would have been about 25% higher (~5.2 g/t, ~447Koz). Capping is necessary as to not overestimate the grade but presents a challenge, particularly in the early stages of exploration. Resource estimation tends to err on the conservative side, and as more drill data becomes available, the capping may be adjusted to include more of the higher grade.
- ▶ **Proof of Concept Successful, Remains Open to Expansion** | Algold chose to concentrate its efforts on Eleonore with drilling over the past year to prove the concept that there was a high-grade core deposit at Tijirit. With the Eleonore resource now at 358Koz of >4 g/t, this is now a proven concept, and the focus going forward will be to grow the Eleonore zone at depth and along strike.

Valuation & Conclusion

Our rough back-of-the-envelope estimate had been for a 400–500Koz resource at Eleonore at better than 4 g/t. At the chosen cut-off and capping, the grade met expectations, although the total ounces fell a bit shy (-10%). However, we are still pleased with the results, and would hazard to guess the resource is already over 400Koz if one were to include drill results received after the mid-March cut-off for inclusion. The deposit remains open for expansion, and will continue to grow. We reiterate our Speculative Buy rating and C\$0.70 target.

Figure 1: Tijirit Project Updated Resource Estimate

Zone	Classification	Au (g/t)	Tonnage (t)	Ounces
Sophie/Lily	Measured	1.03	73,000	2,420
Sophie/Lily	Indicated	1.04	1,226,000	41,010
Total	M+Ind	1.04	1,299,000	43,430
Sophie/Lily	Inferred	1.37	5,528,000	244,210

Zone	Classification	Au (g/t)	Tonnage (t)	Ounces
Eleonore	Inferred	4.18	2,665,000	357,920

Zone	Classification	Au (g/t)	Tonnage (t)	Ounces
Total Sophie/Lily/Eleonore	Inferred	2.29	8,193,000	602,130

1. Effective dates for Eleonore and Sophie/Lily resources are March 17, 2017 and November 4, 2016, respectively.
2. The Independent QP for this resources statement is Yann Camus, Eng., SGS Canada Inc.
3. The mineral resources are presented at a 0.4 g/t Au cut-off grade in pits and 1.4 g/t Au cut-off grade under the pits, except Eleonore at a global cut-off 1.5 g/t Au.
4. The resources are presented without dilution.
5. Whittle pits have been used using a gold value of US\$1,500/oz.
6. Mineral resources that are not mineral reserves do not have demonstrated economic viability. This disclosure does not include economic analysis of the mineral resources.
7. Totals may not add up due to rounding.
8. No economic evaluation of the resources has been produced.
9. This resource estimate has been prepared in accordance with CIM definition (2014).
10. Density used is between 2.0 and 3.0 depending on rock type and alteration based on measurements.
11. Capping varies from 3.5 g/t Au (Lily) to 45 g/t Au (Eleonore) depending on extreme local grade.

Source: Company filings

Figure 2: Comparison of Current (May 2017) Resource Estimate vs. Maiden August 2016 Estimate

	Prior August 2016 Resource Estimate			Current May 2017 Resource Estimate			% Change		
	Tonnes (000s)	Grade (g/t)	Contained Gold (Koz)	Tonnes (000s)	Grade (g/t)	Contained Gold (Koz)	Tonnes (000s)	Grade (g/t)	Contained Gold (Koz)
<u>M&I Resources</u>									
Sophie/Lily	462	1.55	23.0	1,299	1.04	43.4	181%	-33%	89%
Eleonore	51	3.65	6.0	0	0.00	0.0	-100%	-100%	-100%
Total Tijirit Project	513	1.75	28.9	1,299	1.04	43.4	153%	-41%	50%
<u>Inferred Resources</u>									
Sophie/Lily	4,213	1.64	221.9	5,528	1.37	244.2	31%	-16%	10%
Eleonore	188	3.25	19.7	2,665	4.18	357.9	1318%	28%	1721%
Total Tijirit Project	4,401	1.71	241.6	8,193	2.29	602.1	86%	34%	149%
<u>Total (All-Categories) Resources</u>									
Sophie/Lily	4,675	1.63	244.9	6,827	1.31	287.6	46%	-20%	17%
Eleonore	239	3.34	25.6	2,665	4.18	357.9	1015%	25%	1296%
Total Tijirit Project	4,914	1.71	270.5	9,492	2.12	645.6	93%	24%	139%

Aug 2016 Resource used 1.0g/t cutoff, no-pit constraints

May 2017 Resource estimate uses 0.4 g/t cut-off in-pit and 1.4g/t under pit for Sophie/Lily and 1.5 g/t for Eleonore (no-pit constraints)

Source: Paradigm Capital, Company filings

Figure 3: Eleonore Zone – Sensitivity Analysis at Various Cut-off Grades

COG (In Pit) Au (g/t)	COG (Under Pit) Au (g/t)	Class Name	Au (g/t)	Tonnage (t)	Ounces Au	Comments
0.4	1.4	Inferred	3.13	3,978,000	400,820	COG different in pit and under pit
0.5	1.4	Inferred	3.18	3,905,000	399,740	
1.0	1.4	Inferred	3.60	3,334,000	385,900	

COG (In Pit) Au (g/t)	COG (Under Pit) Au (g/t)	Class Name	Au (g/t)	Tonnage (t)	Ounces Au	Comments
1.0	1.0	Inferred	3.01	4,434,000	428,690	Equal COG in pit and under pit
1.5	1.5	Inferred	4.18	2,665,000	357,920	
2.0	2.0	Inferred	5.57	1,701,000	304,660	
2.5	2.5	Inferred	6.93	1,211,000	269,730	

COG = cut-off grade

Base case 43-101 scenario highlighted in grey

Source: Company filings

DISCLAIMER SECTION

Company	Ticker	Disclosures
Algold Resources Ltd.	ALG-V	2,3

Note: Please refer to above table for applicable disclosure numbers.

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Stock Coverage History

Date	Target	Rating	Estimates
8/30/2016	\$0.70	Spec Buy	Initiating Coverage

Research Rating System

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Recommendation	Number of Companies	Percentage Breakdown	
Buy	97	58%	Buy – Expected returns of 20% or more over 12 months.
Spec. Buy	22	13%	Speculative Buy - Expected returns of 20% or more over the next 12 months on high-risk development or pre-revenue companies, such as junior mining and other early stage companies.
Hold	13	8%	Hold - Expected returns of less than +/- 20% over the next 12 months.
Sell*	3	2%	Sell - Expected returns of -20% or more over the next 12 months.
Under Review	31	19%	Under Review - Estimates, Target and/or Recommendation under review.
Total	166		

*Includes companies with a "Tender" recommendation

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