

# 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\$)	\$0.16	
Ticker	ALG-V	
FYE	31-Dec	
Potential ROR (incl. dividend)	338%	
Avg 3-month daily vol. (000s)	223	
Shares O/S		
	Basic (M)	194.8
	FDIM (M)*	230.6
	FD (M)**	266.3
Market Cap		
	Basic (C\$M)	31
	FDIM (M)*	37
	FD (M)**	43

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

Company's Reporting Currency	C\$
Cash (\$M)	6
Long-Term Debt (\$M)	0
Working Capital (\$M)	3
Enterprise Value (\$M)	25



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.

## New Salma Vein Could Be Eleonore Version 2.0

**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.

### Event

Algold released a batch of rock chip panel sampling showing a new high-grade vein at Salma, located ~5 km from Eleonore on the Tijirit project.

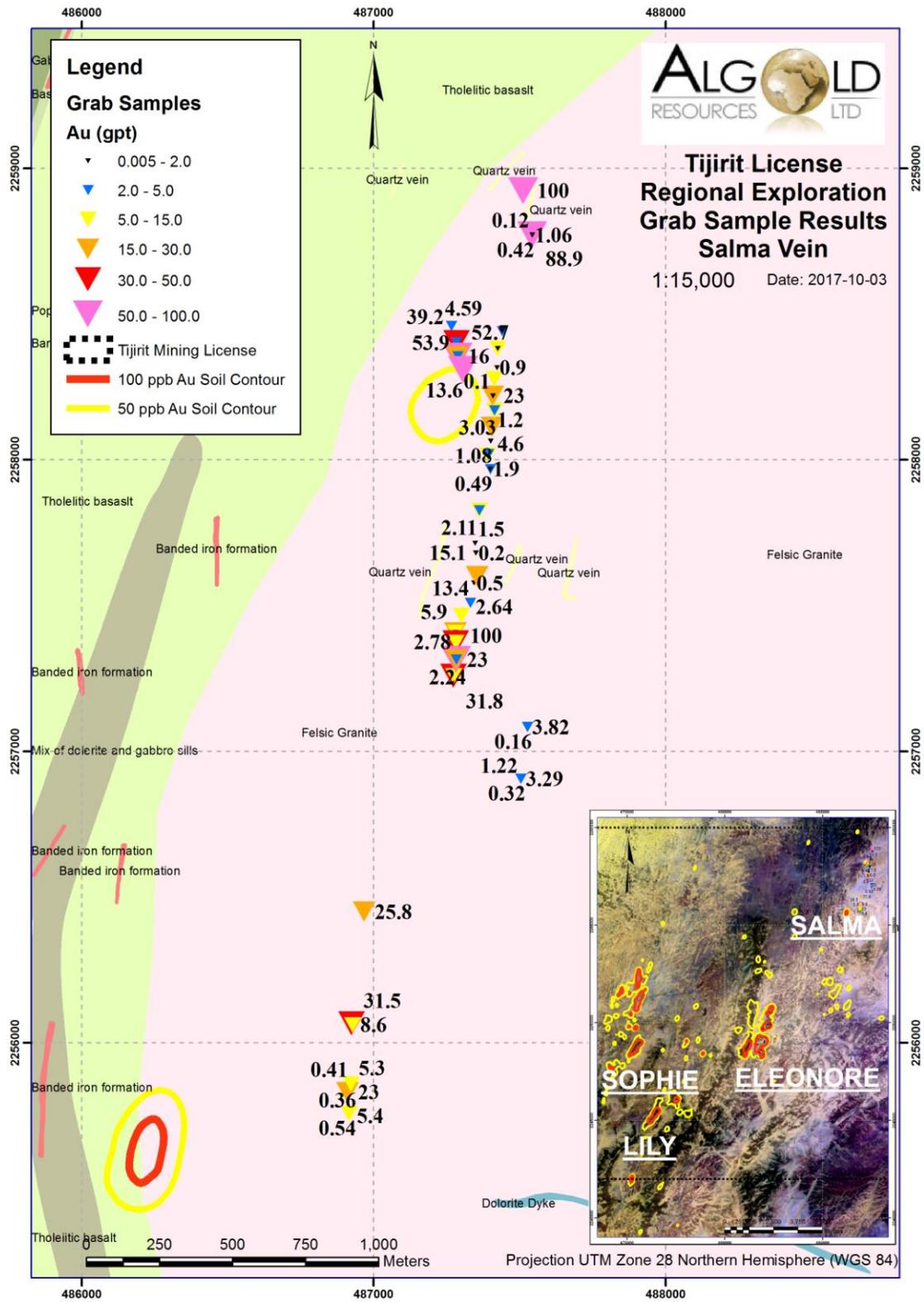
### Highlights

- ▶ **Great Grades, Over 3 km of Strike Length** | Algold took 104 rock-chip-panel samples from trenches and artisanal pits over a 3-km trend at Salma. The average grade of all the samples was 10.0 g/t; 75 exceeded 1 g/t and 25 exceeded 10 g/t, with two samples recorded as 100 g/t (maximum detection limit of the initial assays).
- ▶ **Systematic Sampling, Not Grab Samples** | The samples collected were rock-chip panel samples, where 1 square metre of the bottom of the pit/trench is sampled, so as to provide a reasonably representative sample. These were not just selective grab samples.
- ▶ **Salma Could Be “Eleonore Version 2.0”** | In our opinion, these are the most significant results since the original discovery of the Eleonore vein at Tijirit. Eleonore is high-grade (current inferred resource 358Koz @ 4.18 g/t), which has been a key differentiator in a sea of 1–2 g/t mineralization. There have been a few high-grade grab samples taken in several areas over the Tijirit claims, but a single grab sample can be misleading. 107 samples over 3 km? That’s not just a fluke. This looks as significant as, or more than, the early exploration results from Eleonore. These initial results lead us to believe that Salma has the potential to be as good as, or even better than, Eleonore.
- ▶ **Frustrating Delays to the Pace of Exploration** | Algold is not currently drilling on the Tijirit project while it waits on a backlog of assay results. With the logistics of working in Mauritania, the company must send out its samples for assay, generally in batches of 1,000, which must be exported (adding the bureaucracy of customs) since there are no assay labs in the country. Then you must wait your turn at the assay lab. Algold has installed a sample prep lab on site which should help reduce assay turnaround time going forward, though it still remains a concern. While it is frustrating that there is a hiatus in drilling, the company really requires the assay data to properly plan its next phase of drilling. The alternative is to drill “blind”, which is a recipe for wasting money. We are assured that drilling at Salma will be a priority when drilling restarts.

## Valuation & Conclusion

The Eleonore zone was a game-changer for Tjirit in 2016, with its high-grade providing high-value ore. We believe Salma is the next major inflection point in the Tjirit story. It is already traced for a similar strike length (~3 km, and still open) as Eleonore and has even higher grade than the early results from Eleonore. Owing to the pause in the drilling and assay logistics, it will unfortunately likely take at least three months before we see the first results of follow-up drilling at Salma, which seems like an eternity to impatient investors (and analysts). But we believe it will be worth the wait. We estimate that Eleonore has probably grown to 500–600Koz with the drilling that has taken place since the resource estimate, and it remains open. We believe Salma could achieve a 500Koz resource faster than Eleonore, with a global total of 1Moz of “high grade” potentially achievable before the Feasibility Study due (a government requirement) at the end of 2018, and with both veins remaining open to further resource expansions. We reiterate our Speculative Buy rating and \$0.70 target.

**Figure 1: Salma Vein — Location and Sample Results**



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

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Buy	93	67%	<b>Buy</b> – Expected returns of 20% or more over 12 months.
Spec. Buy	28	20%	<b>Speculative Buy</b> - 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	16	12%	<b>Hold</b> - Expected returns of less than +/- 20% over the next 12 months.
Sell*	1	1%	<b>Sell</b> - Expected returns of -20% or more over the next 12 months.
<b>Total</b>	<b>138</b>		

\*Includes companies with a "Tender" recommendation

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