

Allegiant Gold Ltd. (AUAU-V)

Nevada-focused Gold Explorer

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Allegiant Gold is a recently-listed explorer for gold in the western US states, primarily in Nevada, but also with properties in Utah, New Mexico, and Arizona. The company was spun out from **Columbus Gold Corp.** (CGT, BUY-rated, \$1.20 target), with CGT shareholders (on JAN 19, 2018) receiving 1 AUAU share for every 5 CGT shares held. We are initiating coverage of Allegiant Gold with a BUY rating and a 12-month target price of C\$0.90/sh. In summary, our recommendation is based on the following:

- **Attractive Exploration Portfolio:** Allegiant controls the entire portfolio of Nevada properties accumulated by Columbus Gold (via Cordex) over the past decade or so. We feel several of these properties have above average potential for new gold deposit discoveries. Over the past several years, this US portfolio, which took a backseat to the primary exploration efforts of Columbus Gold in French Guiana, can now get the attention they deserve as a separately-listed exploreco.
- **Drill-Ready Targets:** we find Allegiant to be in the enviable position of having several properties that are drill-ready. Two drills are currently active at the **Eastside** project, with the goals of both increasing gold resources and reducing the strip ratio in the proposed open pit. Allegiant also plans to drill several additional properties in the portfolio during the next 12 months.

Investment Thesis: we consider AUAU shares to be an attractive investment for exploration success, with a quality exploration team (with extensive experience and gold discoveries) working in a low political risk jurisdiction.

Initiating Coverage Spec. BUY \$0.90 target

Previous Close	\$0.42
12-month Target Price	\$0.90
Potential Return	117%
Dividend Yield	0.0%
52 Week Price Range	Low \$0.44 High \$0.75

	Annual Estimates			
(C\$MM, except per unit)	FY17	FY18e	FY19e	FY20e
Revenue	-	\$0.0	\$0.0	\$0.0
Net Income	-	-\$3.0	-\$3.0	-\$3.0
Shares O/S (wgt avg)	-	42	74	74
EPS (operating)	-	-\$0.05	-\$0.03	-\$0.03
CFPS	-	-\$0.05	-\$0.03	-\$0.03

Valuation				
P/E	-	neg.	neg.	neg.
P/CF	-	neg.	neg.	neg.
NAV	-	-	-	-
P/NAV	-	-	-	-

Financials	
Shares Outstanding	46.7 million
Mgt/Insiders	2%
	(C\$MM)
Market Cap	\$19.4
LT Debt (corporate)	\$0.0
Working Capital	\$4.0
Enterprise Value	\$15.4
Fiscal Year End	September 30

Reserves / Resources		
2P Reserves	-	MMoz
M+I Resources	-	MMoz
Total Resources (M+I)	0.7	MMoz

	Quarterly Estimates			
	Q1/17	Q2/17	Q3/17	Q4/17
EPS (operating)	-	-	-	-
CFPS	-	-	-	-
	Q1/18	Q2/18e	Q3/18e	Q4/18e
EPS (operating)	-\$0.01	-\$0.01	-\$0.01	-\$0.01
CFPS	-\$0.01	-\$0.01	-\$0.01	-\$0.01

Company at a Glance

Allegiant Gold is a gold exploration and development company with a portfolio of projects primarily located in Nevada (but also in Utah, New Mexico, and Arizona). The flagship project is Eastside, which has an inferred resource of 645Koz of gold. **All prices in C\$ unless otherwise indicated.**

Stock Performance



Investment Thesis...Re-rating Opportunity as Several Drill-Ready Properties Tested in 2018

We consider Allegiant Gold to be an attractive investment for the potential of successful exploration efforts as the company ramps up efforts in 2018.

Low Geo-Political Risk – we continue to view Nevada as one of the best jurisdictions globally for mining investment, and do not expect this view to change in the coming years.

Drill-Ready Targets: post-spinout, Allegiant is in the enviable position that it has a number of drill-ready targets within the property portfolio.

Strong Team: With several decades focused on the search for gold deposits in Nevada, we consider CEO Andy Wallace to be a solid leader for Allegiant's exploration efforts. He and his Cordex team have been credited with 9 gold discoveries over the years in Nevada, the majority of which became gold mines (Marigold, Stonehouse/Lone Tree, Daisy, Sterling, Dee). Recent additions to the Board of Directors, Russell Ball and Norm Pitcher, also bring extensive experience in all aspects of project development (exploration, feasibility, and operations), having worked with producers such as Newmont, Goldcorp, and Eldorado Gold.

Valuation Methodology

Our preferred valuation for mining equities employs cash flow-base 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 Allegiant, we believe the 2018 exploration strategy can deliver new discovery and/or expansions of existing resources. As an initial target, we believe the current 0.65MMoz resource at Eastside can grow to 1.5MMoz. Longer-term, we see potential to achieve even higher gold resources and achieve future mine development (our current position is that a +2.5MMoz gold resource is likely the minimum threshold for economic viability).

Fig 1 Peer Group of High-Grade Gold Explorers With Resources: AMC/oz (EV/oz)

Company	Sym-Exch	Share Price C\$/sh	Shares O/S MM	Market Cap US\$MM	AMC US\$MM	(M+1)	(M+1+)	Gold Grade g/t	AMC/M+1 oz US\$/oz	AMC/M+1+ oz US\$/oz	Area of Major Exploration
						Measured Indicated 000 oz	Total Resource 000 oz				
Corvus Gold	KOR.TO	\$2.45	104	\$196	\$191	1,760	2,186	0.32	109	88	Nevada
Gold Standard Ventures	GSV.TO	\$2.11	252	\$409	\$365	895	2,692	0.77	408	136	Nevada
Liberty Gold	LGD.TO	\$0.42	177	\$56	\$44	2,218	3,643	0.40	20	12	Nevada, Turkey
Otis Gold	OOO.V	\$0.29	162	\$36	\$34	520	820	0.54	66	42	Idaho
Timberline Resources	TBR.V	\$0.12	24	\$2	\$1	1,500	1,875	0.92	1	1	Nevada
TriMetals Mining	TMI.TO	\$0.19	188	\$27	\$25	528	597	0.54	47	41	Nevada
West Kirkland	WKM.V	\$0.06	368	\$17	\$17	-	679	0.49		25	Nevada
									108	49	Mean
										41	Median
Allegiant Gold - current	AUAU.V	\$0.42	47	\$15	\$12	-	654	0.59	-	18	Nevada
Allegiant Gold - target	AUAU.V	\$0.42	47	\$15	\$12	-	1,500	0.60	-	8	Nevada

Source: Company reports, Thomson Reuters Eikon data

In terms of a target AMC/oz multiple, we believe Allegiant can command similar multiples to a peer group of non-producing explorers with similar grade assets, in similar jurisdictions (fig1 above). To be conservative, we employ a discounted target multiple of US\$25/oz, which represents a significant discount to the current peer group average (for the fact that our targeted resource for Eastside has yet to be achieved). **Using our targeted resource and AMC/oz multiple generates our initial target of \$0.90 per AUAU share.**

Company Description

Fig 2 Western USA Property Portfolio: Allegiant Gold



Source: Company reports

Eastside Project (Nevada)

Eastside is located in southwestern Nevada, ~35km northwest of the town of Tonopah. The property consists of 865 unpatented lode mining claims, and surface rights rest with the US Bureau of Land Management (BLM). There is a 2% net smelter return (nsr) royalty on some of the claims, with the possibility of repurchasing 1% of the nsr for US\$1.5 million. An overlying agreement between Allegiant and Cordex could also result in a further nsr royalty payable to Cordex (typically 1-2%), should projects advance to production.

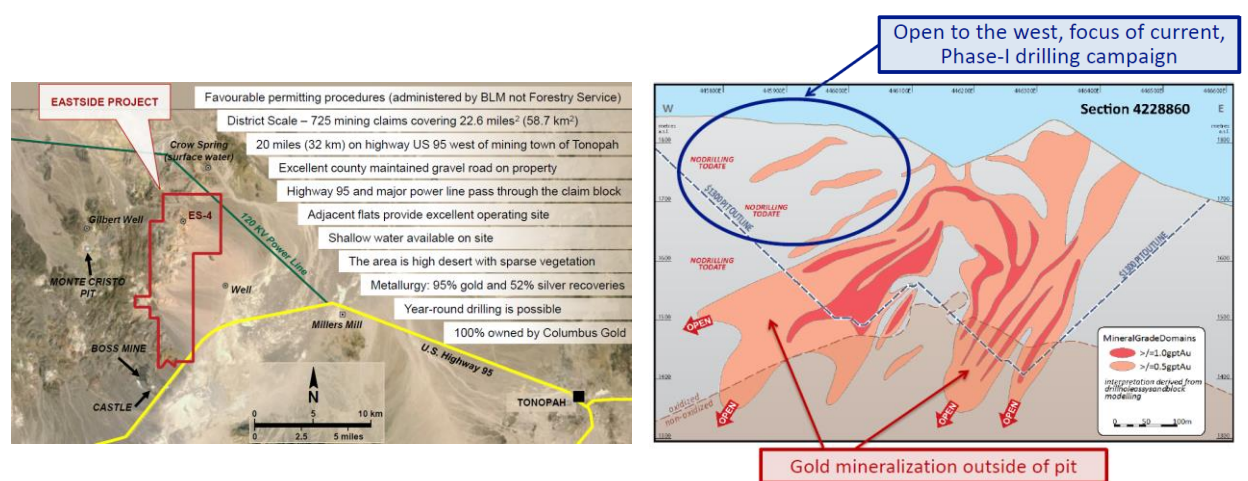
Geology/Mineralization

The Eastside and Castle properties are located at the eastern flank of the Monte Cristo Range in western Nevada, part of the Walker Lane structural belt, near the California border. Gold and silver mineralization has been traced in two main zones (East and West) over 1km in a north-south direction, up to 500m vertically, and an east-west width of 700m. Gold mineralization displays many classic low-sulphidation epithermal features (varied silica phases, banded veins, colloform textures, etc). To date, most of the gold mineralization has been found to be hosted in oxides, even in drilling to several hundred metres depth.

Prior drilling was completed by Allegiant's predecessor company, Columbus Gold, over the period 2011-2016 (under the supervision of Cordex personnel). Some 137 holes (both core and RC) totalling just over 37,000 metres were used to generate the 2016 resource estimate.

The Eastside deposit is open to the west and at depth (see fig3 below). Initial drill results this year has been positive, including **42.7m grading 2.49g/t gold**, and **79.2m grading 1.03g/t**.

Fig 3 Eastside Project (Nevada): Aerial Photo (left) and Cross-Section (right)



Source: Company reports

Fig 4 Current Resources: Eastside Project

	Tonnes (MMt)	Gold Grade (g/t)	Contained Gold (MMoz)	Silver Grade (g/t)	Contained Silver (MMoz)
M+I	-	-	-	-	-
Inferred	35.8	0.6	0.7	3.5	4.0
Total	35.8	0.6	0.7	3.5	4.0

Source: Company website

Castle Property

This claim block, located adjacent to the south of Eastside, was acquired by Columbus Gold in February 2017. The property has historic production from the Boss Mine, and has a historic oxide resource (non-NI43-101-compliant) of just over 270Koz (11.2MMt grading 0.82g/t gold) from drilling completed 1970-2000.

Bolo Project (Nevada)

The property is located in central Nevada, ~90km northeast of Tonopah (290km southeast of Reno or 295km northwest of Las Vegas). The property consists of 174 unpatented lode mining claims, and 1 patented lode mining claim (Uncle Sam Patent). There is a 2% net smelter return (nsr) royalty payable to Cordex.

At Bolo, gold mineralization is related to two parallel, north-south trending faults (Mine Fault and East Fault), where alteration has been traced over 2km along strike, with surface gold in outcrop up to +5g/t.

Clanton Hills (Arizona)

The property is located 112km west of Phoenix. The target is low sulphidation, epithermal gold deposit.

Mogollon (New Mexico)

The property is located 120km northwest of Silver City, in southwest New Mexico. The target is silver-gold bearing epithermal vein deposits. Deposits in the area show good continuity, with strike lengths up to +1km, and vertical extents up to 300m. The property was last drilled by Columbus Gold in 2010 (11 holes or ~2,200m).

Silver Dome (Utah)

The property is located 72km northwest of Delta, Utah. The target is silver and/or silver-base metal skarn deposits. The property was last drilled by Columbus Gold in 2008 (13 RC holes).

Investment Risks

Commodity Prices

For mining operations, profitability and cashflow are materially dependent on the realized prices for the commodities produced. In the case of non-producers, the most important factor to economic viability is the assumption of future commodity prices.

Geological

Even with operating assets, geological risk will remain, relating to how the actual mining results (grade, tonnage, recovery, etc.) compare to forecasted rates.

Political

We consider Nevada to be one of the lower risk areas, both globally and in the USA, for the mining industry, and do not forecast any change to this view in the near future.

Financial

Allegiant Gold has ~\$4 million in cash. We would expect the company to seek additional funding in 2018 to continue current exploration plans.

Summary/Conclusions

Allegiant Gold starts life as an attractive explorer with a proven exploration team, a portfolio of promising targets in mining-friendly jurisdictions, and ~\$4 million in cash.

We see re-rating potential in the short-term, as AUAU completes initial drill programmes at **Eastside** in Nevada.

Medium-term, we believe several additional properties in the portfolio have potential for new deposit discovery, which could drive further market interest and/or AUAU share re-rating.

At this point in time, we consider AUAU shares to be an attractive speculative exploration play. **As a result, we are initiating coverage of Allegiant Gold with a 12-month target price of \$0.90/sh and a BUY rating.**

Appendix A : Management/Directors

Andy Wallace: CEO, and Director

Mr. Wallace has several decades experience in the mining industry. He is the principal of Cordex Exploration, which has been an active explorer in Nevada for several decades, and the exclusive exploration arm of Columbus Gold for over a decade. He and his team at Cordex assembled the property portfolio that now comprise Allegiant Gold. He is a Certified Professional Geologist (CPG) with the American Institute of Professional Geoscientists.

Robert Giustra: Chairman

Mr. Giustra has ~25 years' experience in the mining industry, currently serving as Chairman and CEO of Columbus Gold. He has also worked in investment banking and in institutional sales with Canadian brokerages.

Andrew Yau: CFO

Mr. Yau is a CPA with over 10 years' experience with TSX and TSX-V listed companies focused on natural resources.

Blaine Monaghan: VP, Corporate Development

Mr. Monaghan has over 15 years' experience with mineral exploration and development companies. He has worked with True Gold, Canplats, Western Prospector Group, Nu Energy Uranium, and Wheaton River Minerals.

Jorge Martinez: VP, Communications and Technology

Mr. Martinez has over 20 years' experience in business management and corporate communications, predominantly with natural resource and technology sectors.

Warren Beil: VP, Legal & Corporate Secretary

Mr. Beil is a corporate and securities lawyer with several years' experience advising companies in the mining and natural resources sector.

Board of Directors:

Robert Giustra (Chairman) – see above

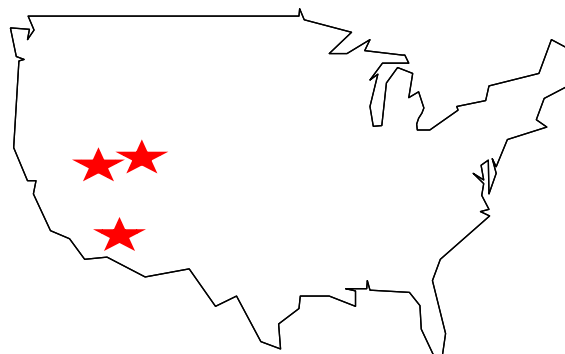
Russell Ball – former CFO with Newmont, Goldcorp

Norm Pitcher – geologist, former President/COO of Eldorado Gold

Peter Gianulis – President/MD of Carrelton Asset Management

Appendix B: Summary Financials

Allegiant Gold Ltd.				Beacon Securities Limited				
Symbol		AUAU-V		Share Price		\$0.42		
Stock Rating		Speculative BUY		Shares O/S (MM)		46.7 Float (MM) 40.7		
Price Target		\$0.90		Mkt Cap (\$MM)		19		
				Michael Curran, CFA (416) 507-3950				
INCOME STATEMENT				Management				
		FY18e	FY19e	FY20e			Other Directors	
Revenues	C\$MM	-	-	-	Robert Giustra	Chairman	Russell Ball	
Operating Costs	C\$MM	-	-	-	Andy Wallace	CEO	Norm Pitcher	
EBITDA	C\$MM	(3.0)	(3.0)	(3.0)	Andrew Yau	CFO	Peter Gianulis	
DD&A	C\$MM	-	-	-	Blaine Monaghan	VP-Corporate Development		
EBIT	C\$MM	(3.0)	(3.0)	(3.0)	Jorge Martinez	VP-Communications and Technology		
Interest Expense	C\$MM	-	-	-	Options	Avg. Price	Warrants	
EBT	C\$MM	(2.0)	(2.0)	(2.0)	4.7	\$0.43	7.3	
Taxes/Recovery	C\$MM	-	-	-			Avg. Price	
Net Income (reported)	C\$MM	(3.0)	(3.0)	(3.0)			\$1.00	
Non-Recurring Items/Other	C\$MM	1.0	1.0	1.0	Recent Financings			
Net Income (operating)	C\$MM	(2.0)	(2.0)	(2.0)	Date	Amount	Price	Type
Shares o/s (wgt avg.)	MM	42.0	73.7	73.7	DEC-2017	\$4.2	\$0.60	private placement
EPS (operating)	\$/sh	(\$0.05)	(\$0.03)	(\$0.03)				Warrant
P/E Multiple	x	n.m.	n.m.	n.m.				Expiry
Cash Flow (operating)	C\$MM	(2.0)	(2.0)	(2.0)				\$1.00
CFPS	\$/sh	(\$0.05)	(\$0.03)	(\$0.03)				DEC-2019
P/CF Multiple	x	n.m.	n.m.	n.m.				
BALANCE SHEET								
Cash & Equivalents	C\$MM	9.4	7.4	5.4				
Total Current Assets	C\$MM	9.4	7.4	5.4				
PP&E & Mining Interests	C\$MM	21.5	20.5	19.5				
Other	C\$MM	-	-	-				
Total Assets	C\$MM	30.9	27.9	24.9				
Current Liabilities	C\$MM	0.1	0.1	0.1				
Long Term Debt	C\$MM	-	-	-				
Other LT Liabilities	C\$MM	-	-	-				
Total Liabilities	C\$MM	0.1	0.1	0.1				
S/Holder Equity	C\$MM	30.9	27.9	24.9				
Total Liab. & S/Holder Equity	C\$MM	31.0	28.0	25.0				
Working Capital	C\$MM	9.3	7.3	5.3				



Source: Company reports, Beacon estimates

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As at March 31, 2018	# Stocks	Distribution
Buy	67	69%
Speculative BUY	11	11%
Hold	11	11%
Sell	0	0%
Under Review	7	7%
Tender	1	1%
Total	97	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

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