

Mines and Money

More awesome Opportunities

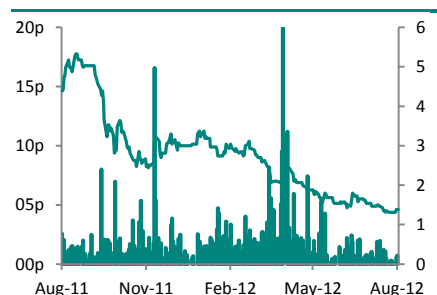
November 2013

25 November 2013

Speculative Buy

Price (A\$)	0.02
Target Price	N/A
Ticker	BGS-AU
Market cap (A\$m)	16
Estimated cash (A\$m)	2.5
Debt (A\$m)	-
Attr resource (Moz Au)	-
EV/Resource (US\$/oz)	-
Shares in issue	
Basic (m)	725
Fully diluted (m)	770
52-week	
High (A\$)	
Low (A\$)	
3m-avg daily vol (000)	
3m-avg daily val (A\$000)	
Top shareholders (%)	
Sprott Global Resource Inv	14.0
Macquarie Bank	4.0
Directors	3.0
Total	21.0
Management	
Winton Willesee	NEC
Kevin Joyce	MD
Hugh Bresser	NED

Share Price Performance (A\$)



Source: FactSet

RFC Ambrian has acted as Placing Agent for this company

Duncan Hughes

+61 8 9480 2511

duncan.hughes@rfcambrian.com

Birimian Gold

A Stone's Throw from Morila

Birimian Gold Limited (BGS) is an ASX-listed West African gold explorer. The company's flagship Massigui Gold Project, which is adjacent to Randgold's Morila Gold Mine, has returned encouraging exploration results.

Asset	Country	Status	Interest
Massigui	Mali	Exploration	100%
Dankassa	Mali	Exploration	90%
Basawa	Liberia	Exploration	100%

Source: Company data

BGS recently announced a new gold discovery at the Ntiola prospect, just 25km from the 6Moz Morila Mine in Mali. Recent drilling has returned encouraging shallow intersections, including 11m @ 4.1 g/t Au from 33m, 22m @ 3.46 g/t Au from 78m and 18m @ 2.85 g/t Au from 3m. Mineralisation has been defined over 500m of strike and down to 150m vertical to date.

Follow-up RC drilling along the Ntiola trend has returned promising results from the Kondji prospect, including 11m @ 2.53 g/t Au from 29m and 1m @ 22.3 g/t Au from 94m. These results are from early scout drilling on the newly identified Ntiola trend.

The Morila Gold Mine is a world-class, open-pit gold mine with maturing production and a likely need for higher-grade plant feed from 2015 onwards. The current open-pit cut-back is expected to provide two years of ore. Thereafter, the plan is to reprocess low-grade tailings from 2015. Higher-grade gold production would be ideal to supplement the tailings feed.

Birimian has signed a data access agreement with Randgold on its Morila exploration tenure. This is likely to enhance the company's knowledge of the exploration controls in the region and cement its relationship with the neighbouring gold producer. The database comes at no financial cost; Randgold retains first right of refusal to joint venture or acquire the Massigui Project from BGS.

Birimian has also signed an MOU with Morila on mutually beneficial toll treatment terms for processing of gold ore at Morila and to work jointly on mine permitting within the Massigui Project.

The company has a large (3,700km²) exploration portfolio across Birimian Greenstones through West Africa. The Dankassa Project in Mali hosts a 12km anomalous gold trend surrounded by excellent infrastructure. The Basawa Project in Liberia has already defined some large prospective surface anomalies adjacent to AIM-listed Hummingbird Resources' 3.8Moz Dugbe Project.

Recommendation – SPECULATIVE BUY

We continue to rate Birimian as a SPECULATIVE BUY. Catalysts going forward include:

- Evaluation of Randgold database – 2013
- Progress on MOU and metallurgical results – 2H13
- Further exploration drilling – 1H14

Investment Case

Valuation

We rate Birimian Gold as a **SPECULATIVE BUY**

We continue to rate Birimian Gold as a **SPECULATIVE BUY**. Given the early-stage nature of the company's exploration projects, we do not feel comfortable assigning a target price at this stage.

Initial drilling results, the proximity to a world-class gold mine, the data sharing agreement with Randgold and the vast exploration tenure through West Africa give us confidence to give Birimian this rating.

Investment Case

Birimian Gold has that 'special something' through its likely path to cashflow

In the current equity markets a West African gold explorer needs to stand out from the crowd. In our view, Birimian Gold has that 'special something' through its likely path to near-term cashflow at Massigui.

Drilling at Massigui has returned some very encouraging results at a shallow depth located just 25km away. When the positive exploration results are taken in the context of the strategic land position the company has at Massigui (ie, surrounding a world-class gold mine), things look even more interesting.

Morila is reportedly in need of higher-grade mine feed

Morila is reportedly in need of higher-grade mine feed to blend with low-grade tailings from 2015 onwards. We think that Birimian is in a strong position to provide this from Ntiola and other underexplored targets within the surrounding Massigui Project.

The signing of a MOU with Morila on a possible toll treat arrangement provides further support for this theory. Whilst the MOU is non-binding and still requires a feasibility study to be completed on any project prior to toll treating, it does increase the likelihood of near-term cashflow for Birimian. The agreement covers the entire Massigui Project and is thus relevant for any additional discoveries there. It also strengthens the relationship with Morila and builds nicely on the data sharing agreement already in place. It seems likely that Morila will support and facilitate Birimian's needs as it advances the Massigui Project to cashflow.

It is possible that metallurgical test-work currently being undertaken will have a substantial impact on the progression from MOU to a more formal arrangement. It is therefore critical that the mineralisation at Ntiola behaves as management expects and that this is favourable for the Morila plant.

The agreement stipulates that Randgold has first right of refusal over the Massigui Project

The exploration data access agreement signed with Randgold provides even greater confidence in a potential near-term path to cashflow for BGS, especially when the agreement stipulates that Randgold has first right of refusal over the Massigui Project should BGS wish to JV or farm out part or all of the project.

Good grade material would be attractive to the Morila plant

In our view the drilling to date at Ntiola indicates potential for a shallow, mineable resource already. At this stage we estimate a resource in the region of 200,000oz down to 150m at a grade of around 3 g/t Au. It is the grade that is likely to make this a profitable venture for possible mining. We would expect that follow-up drilling will grow this potential down-plunge. Even if it does not, 200,000oz of good-grade material would be attractive to the Morila plant.

The recently-completed regional RC drilling along the Ntiola trend provides evidence that more gold is to be found, especially at the Kondji prospect.

The Kondji prospect is located some 3km north along the trend. It was targeted on the back of some exceptional auger intersections, including 3.88 g/t Au, 2.62 g/t Au and 1.2 g/t Au. First-pass, wide-spaced RC drilling has identified two prospective mineralised trends. The western trend shows potential for relatively narrow (but high-grade) shallow gold mineralisation, and remains open along-strike and down-dip.

It is the eastern trend that is of most interest to us. Here the auger intersections are impressive and indicate a trend in excess of 300m, open to the north and south. The scout drilling completed to date returned an 11m @ 2.53 g/t Au intersection; this is a robust intersection that reports in the order of 8m @ 3.6 g/t Au if a 1.0 g/t Au lower cut is used. This intersection looks favourable for shallow mining should more of the same be found.

The key holes required to test along-strike to the north and up-dip to the east couldn't be drilled due to access restrictions during the rainy season. These are obvious walk-up drill targets for the next phase of drilling. Furthermore, the auger results indicate that this trend may in fact be oriented north-west and is parallel with the western trend, which is interestingly the same orientation as at Ntiola. If this is the case then the drilling along-trend to the north and south has not extended far enough to test this. Consequently, this impressive intersection may be entirely isolated along-trend up- and down-dip and along-strike, making it an exciting follow-up drilling target.

Significant share price growth and liquidity for a junior exploration company

Mali has undergone an 'interesting' time recently, as, indeed, has the gold sector as a whole. Despite the disruption, Birimian was able to raise funds at a premium to its share price in April and has seen significant share price growth and liquidity in the market for a junior exploration company since that time. This is a testament to the potential of the Massigui Project. The situation with Islamic insurgents in Mali is now confined to the far north of the country and is much closer to operating mines in neighbouring Burkina Faso and Niger.

The country has just completed a peaceful and successful election. It remains to be seen how tensions are resolved and if the current ceasefire with the Tuareg can be maintained. However, any potential unrest is unlikely to affect the day-to-day running of a small exploration camp in southern Mali.

Strong exploration project in Liberia adjacent to Hummingbird Resources' 3.8Moz Dugbe Project

The focus of the company is (quite rightly) on the Massigui Project, but it also has a strong exploration project in Liberia adjacent to Hummingbird Resources' 3.8Moz Dugbe Project. This project is expected to return strong exploration results when tested with drilling.

In April 2013 Birimian completed a A\$2m placement at a 30% premium to market pricing to Sprott Global Resource investments, making Sprott the major shareholder in BGS. The company still has an estimated A\$2.5m in cash to finance upcoming exploration programmes and has the demonstrated support of Sprott and Randgold.

Whilst the company does not as yet have a confirmed gold resource to pin value against, we believe that the likely path to near-term cashflow and the expectation of future positive newsflow from exploration justifies our anticipation for share price appreciation and our rating of the company as a **SPECULATIVE BUY**.

Background

Birimian Gold Limited commenced life on the ASX in 2006 as Eagle Eye Minerals, with a portfolio of Australian nickel and gold exploration projects. In 2011 Eagle Eye acquired the assets and management of the unlisted Birimian Gold and subsequently rebranded itself with that name.

The acquisition of Birimian led to exploration focused on the Dankassa and Basawa projects. The company acquired the Massigui Project for US\$300,000 (to be paid as an option over two years) in 2012.

The company's share register hosts a fair number of institutions for a junior gold explorer. Sprott Capital owns 14% of the company and Macquarie owning around 5%. The remainder of the register is largely retail. This portion of the share capital is quite liquid; it has seen some share price appreciation since the placement.

Massigui Project, Mali (100%)

The Massigui Project is situated in southern Mali, 220km by road from the capital, Bamako. The project area comprises a 1,638km² landholding that abuts and surrounds the Morila Gold Mine, a world-class mine that has produced in excess of 6Moz of gold since operations commenced in 2000. Birimian's permit areas cover the strike extents of the geological sequence that hosts gold mineralisation at Morila.

The project covers known extensions of gold-bearing trends, and includes numerous previously-defined gold prospects, some of which have only been subjected to limited (and sporadic) exploration. Importantly, the project looks to host some of the more prospective greenstone rocks in addition to the prospective sheared granite contacts.

The company made a discovery at the Ntiola prospect earlier this year. This prospect was targeted due to encouraging soil geochemistry coincident with interpreted structures that were deemed favourable hosts for gold mineralisation.

The prospect is located just 25km from the Morila 4Mtpa process plant and has been defined along a strike extent of 500m and remains open down-dip.

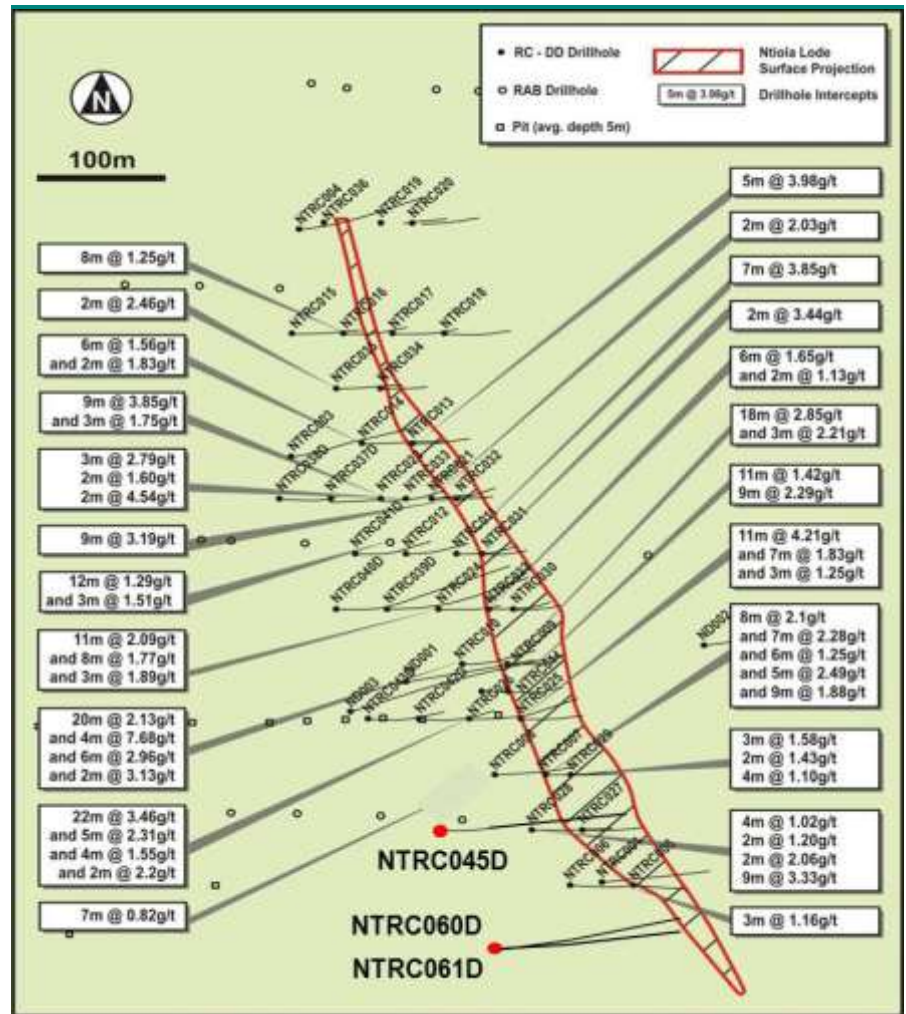
Initial drilling results were extremely encouraging, and included:

- 11m @ 4.21 g/t Au from 33m
- 22m @ 3.46 g/t Au from 78m
- 18m @ 2.85 g/t Au from 3m
- 4m @ 7.68 g/t Au from 45m
- 20m @ 2.13 g/t Au from 85m
- 9m @ 3.85 g/t Au from 71m

These results were a great start; follow-up drilling indicated that higher-grade mineralisation is confined to a narrower plunging shoot. Our conservative estimate of a potential resource down to 150m vertical indicates some 200,000oz at an average grade of 3.0 g/t Au.

Our long section interpretation of the higher-grade shoot indicates that the shoot either plunges at a shallower angle than previously thought or is offset slightly by a late brittle fault (we feel the latter is more likely as it is indicated through a thickening on the drill section and an offset on the long section). Three holes drilled at depth to test this down-plunge position returned less-than-stellar results; despite this, we feel Ntiola requires further drilling.

Drilling at Ntiola with Down-plunge Holes Shown



Source: Birimian Gold

Above 150m the grade of mineralisation and the geology show good continuity and predictability between holes and this bodes well for open-pit mining.

The northern portion of the resource returned lower grades and widths, but will probably be mined as an open-cut bulk tonnage operation focused on the high-grade plunging shoot to the south.

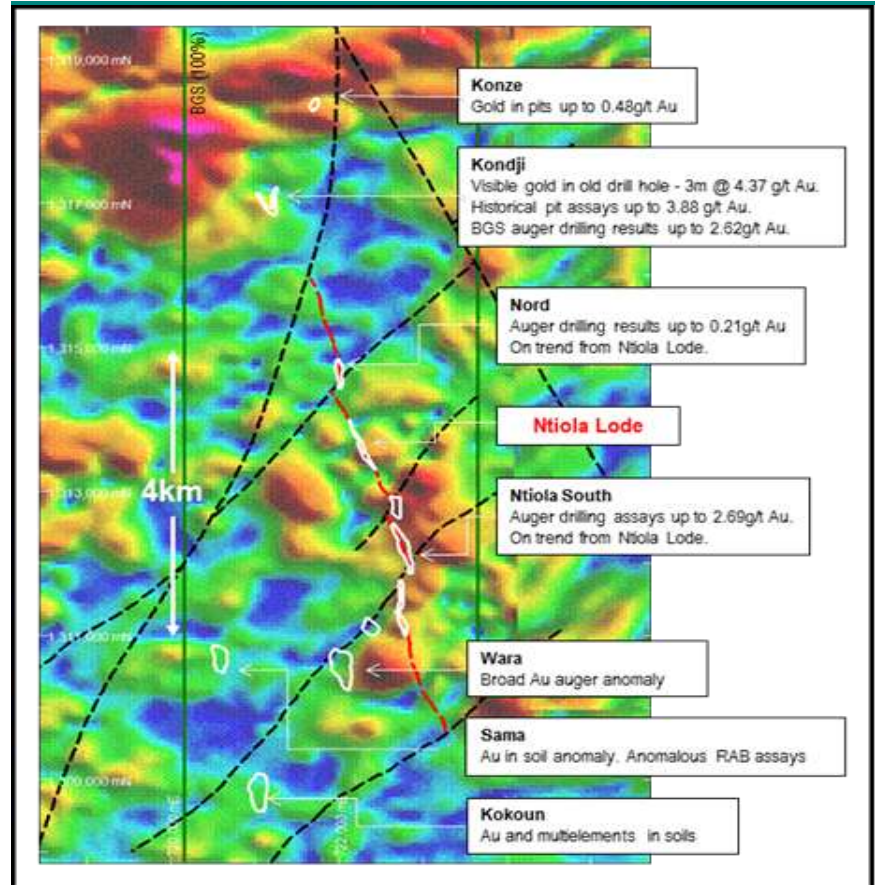
The style of mineralisation is reportedly similar to Morila, which had a strike length of just 250m at surface, but hosts high-grade gold zones up to 900m down-dip. Whilst early days, the grade of mineralisation does not look to be as high as at Morila, but the style of mineralisation is likely to result in free milling gold. BGS is undertaking metallurgical test-work and we expect these results later this year.

Mineralisation is associated with a shear zone within meta-sediments. Gold is disseminated through the shear zone and associated with silica and potassic alteration and sulphides. The orebody is situated beneath a thin (1m) layer of transported material, and is weathered to saprolite down to approximately 30m, with fresh rock beneath. There is currently no evidence of supergene enrichment at Ntiola.

Ntiola Trend

A regional auger programme and geological mapping has defined multiple high-tenor gold anomalies by shallow reconnaissance drilling along a 4km trend from the Ntiola Lode.

Targets on the Ntiola Trend



Source: Birimian Gold

Follow-up RC drilling on two of these targets has returned some encouraging results, including the discovery of new, shallow, high-grade gold zones at the Kondji prospect. Better results from Kondji included:

- 11m @ 2.53 g/t Au from 29m
- 1m @ 22.3 g/t Au from 94m

Gold mineralisation intersected on two trends in broad-spaced, first-pass, shallow drilling at the Kondji prospect is open along-strike and to depth. Planning for follow-up drilling is underway, with drilling expected to recommence this quarter. Encouraging gold intersections in shallow scout RC drilling confirm the significant exploration potential at other untested prospects in the broader Ntiola District. Better results from Ntiola South included:

- 5m @ 1.50 g/t Au from 29m
- 15m @ 0.79 g/t Au from 45m

Ntiola South drilling returned wide zones of altered arsenopyrite- and pyrrhotite-bearing rocks along-trend from the Ntiola deposit.

It is important to remember that the Ntiola trend is just the first area of many to be targeted in the Massigui Project; there is much more exploration to be completed.

Morila Mine

Morila is a world-class gold mine owned in a joint venture by Randgold (40% and operator), AngloGold (40%) and the Republic of Mali (20%). It is an open-pit gold mine with a 4Mtpa processing facility. The mine was commissioned in 2000 and has produced more than 6.2Moz Au at a total cash cost of US\$263/oz. In 2008 the mine ceased production and the mill commenced processing lower-grade stockpiles. Earlier this year the mine recommenced through a major cut-back on the open pit, expected to provide some two years of additional ore. From 2015 onwards Randgold plans to reprocess low-grade tailings (0.4 g/t Au). A nearby source of higher-grade mined material would clearly be a benefit to the operation.

Exploration Database Access Agreement and MOU

In March 2013 Randgold and Birimian entered into an exploration database access agreement. Birimian now has access to Randgold's high-quality database across the Massigui Project; this consists of geological, geophysical and geochemical data.

This database should enhance the company's knowledge of the exploration controls in the region and cement its relationship with the neighbouring gold producer. The database comes at no financial cost; Randgold retains first right of refusal to joint venture or acquire the Massigui Project from BGS.

In June 2013 BGS, Morila and Randgold entered into a Memorandum of Understanding (MOU) in relation to the potential utilisation of the Morila Mine processing facilities to treat gold-bearing ore from Birimian's Massigui Project in southern Mali. Highlights of the announcement included:

- agreement on mutually beneficial toll treatment terms for processing of gold ore at Morila;
- work jointly on mine permitting within the Massigui Project; and
- work cooperatively to sustain and create additional employment opportunities for the community at Morila.

Other Projects

Basawa is at an early-stage of exploration. It represents a large (1,000km²), underexplored land package in eastern Liberia. The project is located adjacent to AIM-listed Hummingbird Resources' 3.8Moz Dugbe Project. We see this as offering real exploration potential for Birimian as the company's second project behind Massigui.

As with Dugbe, the project is relatively isolated, with access along a number of logging tracks within primary rainforest. The project abuts the coast; this may assist in any future logistical requirements.

Further exploration is also merited at Dankassa in Mali, but we expect this project to take a much lower priority now the company has the Massigui Project to explore.

Research Team

Metals & Mining

Duncan Hughes, Head of Research	+44 (0)20 3440 6820	duncan.hughes@rfcambrian.com
Adam Kiley	+44 (0)20 3440 6821	adam.kiley@rfcambrian.com
Craig Foggo	+44 (0)20 3440 6822	craig.foggo@rfcambrian.com
Jessica Mauss	+44 (0)20 3440 6823	jessica.mauss@rfcambrian.com

Oil & Gas

Stuart Amor, Head of Oil & Gas Research	+44 (0)20 3440 6826	stuart.amor@rfcambrian.com
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Corporate Broking

Caspar Shand Kydd, Head of Corporate Broking	+44 (0)20 3440 6814	caspar.shand-kydd@rfcambrian.com
Jonathan Williams	+44 (0)20 3440 6817	jonathan.williams@rfcambrian.com
Klara Kaczmarek	+44 (0)20 3440 6815	klara.kaczmarek@rfcambrian.com
Tommy Horton	+44 (0)20 3440 6824	tommy.horton@rfcambrian.com

RFC Ambrian Limited

London

Level 5, Condor House
10 St Paul's Churchyard
London EC4M 8AL
UK

Telephone +44 (0)20 3440 6800
Fax +44 (0)20 3440 6801

Sydney

Level 14
19-31 Pitt Street
Sydney NSW 2000
Australia

Telephone +61 2 9250 0000
Fax +61 2 9250 0001

Perth

Level 15, QV1 Building
250 St Georges Terrace
Perth WA 6000
Australia

Telephone +61 8 9480 2500
Fax +61 8 9480 2511

info@rfcambrian.com

www.rfcambrian.com

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