

AUGUST 2020

 **AIM Investor**
FROM REGENCY CAPITAL

The One Gold Stock to Buy Right Now



► Anglo Asian Mining (AAZ)

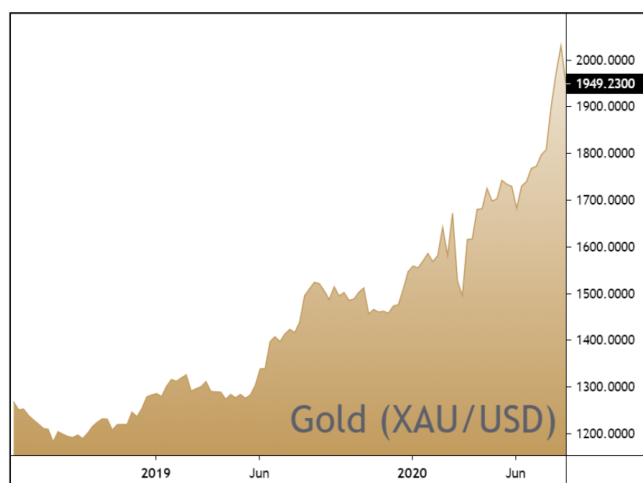
The one gold stock to buy right now...

Gold has been one of our key investment themes for the last two years.

While the core drivers behind gold's bull market; loosening US monetary policy and a lack of supply, were in place well before the pandemic, the Covid-19 outbreak has created an additional set of catalysts which have pushed the precious metal to eight-year highs.

To infinity and beyond

In March, the US Federal Reserve cut rates to zero and unleashed a massive asset purchase program dubbed 'QE-infinity' by many media channels. The Fed were not alone, central banks around the world have done much of the same in response to the pandemic. On top of that, the US government passed a historic \$2.2 trillion fiscal stimulus bill.



The world has known easy money for more than a decade, but not to this scale. This record stimulus is looking increasingly likely to bring rampant inflation by early next year and this is bullish for both gold and commodities.

Another pandemic-lead catalyst for gold is the global economy contracting and currencies around the world are being devalued. This has reinvigorated not only the safe-haven characteristics of gold but also its reserve currency characteristics. The combination of short-term deflationary factors along with the potential for long-term rampant inflation have created the perfect storm which has sent gold miners surging.

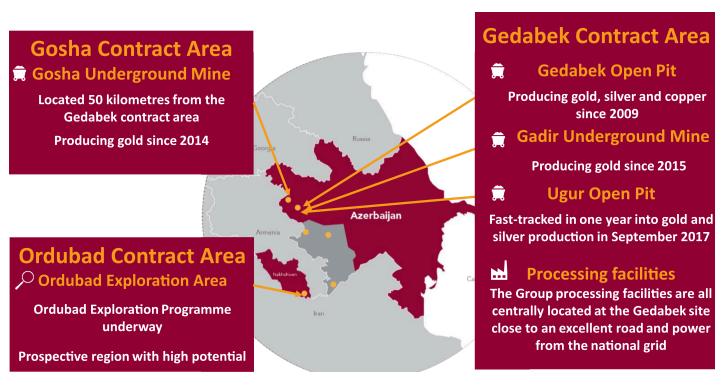
Introducing Anglo Asian Mining

The Alternative Investment Market (AIM) is a rich hunting ground for investors seeking to find mining stocks with explosive potential and we believe low cost, debt-free producer, **Anglo Asian Mining (AAZ)** is a great example of this...

AAZ operates from four mines located in Western Azerbaijan producing over 82,000 ounces of gold, 159,000 ounces of silver and around 2,200 tons of copper.

Gedabek Open Pit – AAZ's largest mine with a JORC total resource of over one million ounces of gold and 95,000 tonnes of copper. Whilst the mine is nearing the end of its production cycle, in a statement released earlier this year AAZ said "Gedabek, together with recent near-mine exploration work, provide confidence of a combined mine life of Anglo Asian's existing mines to at least 2024".

ANGLO ASIAN MINING PLC	
TICKER:	AAZ
SECTOR:	BASIC MATERIALS
52w RANGE:	68.65 - 177
PE RATIO (f):	9.5
MARKET CAP:	£181.88m
SOURCE: Stockopedia	



Gadir Underground Mine – has a JORC mineral resource of over 172,000 ounces of gold and 1,300 tonnes of copper and has been producing gold since 2015.

Ugur Open Pit – a newly-discovered gold deposit three kilometres north-west of its processing facilities with JORC ore reserves of 147,000 ounces of gold.

Gosha Underground Mine and exploration site – the Gosha mine, in its current state, is relatively small

and was not mined during the first half of 2019. However, the Gosha 'contract area' is at the heart of AAZ's exploration plans and is believed to be a very promising 'under explored' area.

Debt free, low cost producer

Thanks in part to its copper by-products, AAZ has low all-in sustaining costs (AISC) of just \$591 per ounce of gold produced.

This low cost base, combined with strong production levels, has given AAZ's balance sheet a healthy glow. The firm has operating cashflow of \$50.5m (FY 2019) along with a net cash position of \$21.2m (FY 2019) and this provides the quality that we require when investing in these uncertain times.

Whilst the Azerbaijan government has imposed restrictions to prevent the spread of the coronavirus, AAZ have been able to maintain production and continue to sell its gold doré and copper concentrate.

Irish exploration deal sparks investor interest

Last month, AAZ announced that it had signed a joint venture with Conroy Gold to further develop the Longford Down Massif gold project in Ireland.

The overall potential for this region could be as much as 8.8 million ounces according to published 'exploration targets' and the deal seems to represent a win-win for both parties.

Professor Conroy and his gold company have no production, so cashflow is limited and the deal provides them with stable investment which means they no longer need to go cap-in-hand to equity markets.

AAZ get an opportunity to geographically diversify their exploration portfolio at very low upfront cost (2 million euros - initial phase investment), or as AAZ's CFO Bill Morgan put it in a recent interview, *"we think we're getting a foot in the door to, what is potentially a very attractive project at a reasonably cheap price without having to bet the farm"*.



Pullback to trendline creates buying opportunity

AAZ surged to highs of 174p at the start of the month, following a robust half-year update which reiterated full-year 2020 guidance of 75,000 – 80,000oz with estimated revenues “over \$100m at current metal prices”.

Since then, AAZ’s share price has undergone a healthy 18% pullback.

This pullback has taken prices down into the dynamic support of the ascending trendline – a trendline which has been taking shape since March.

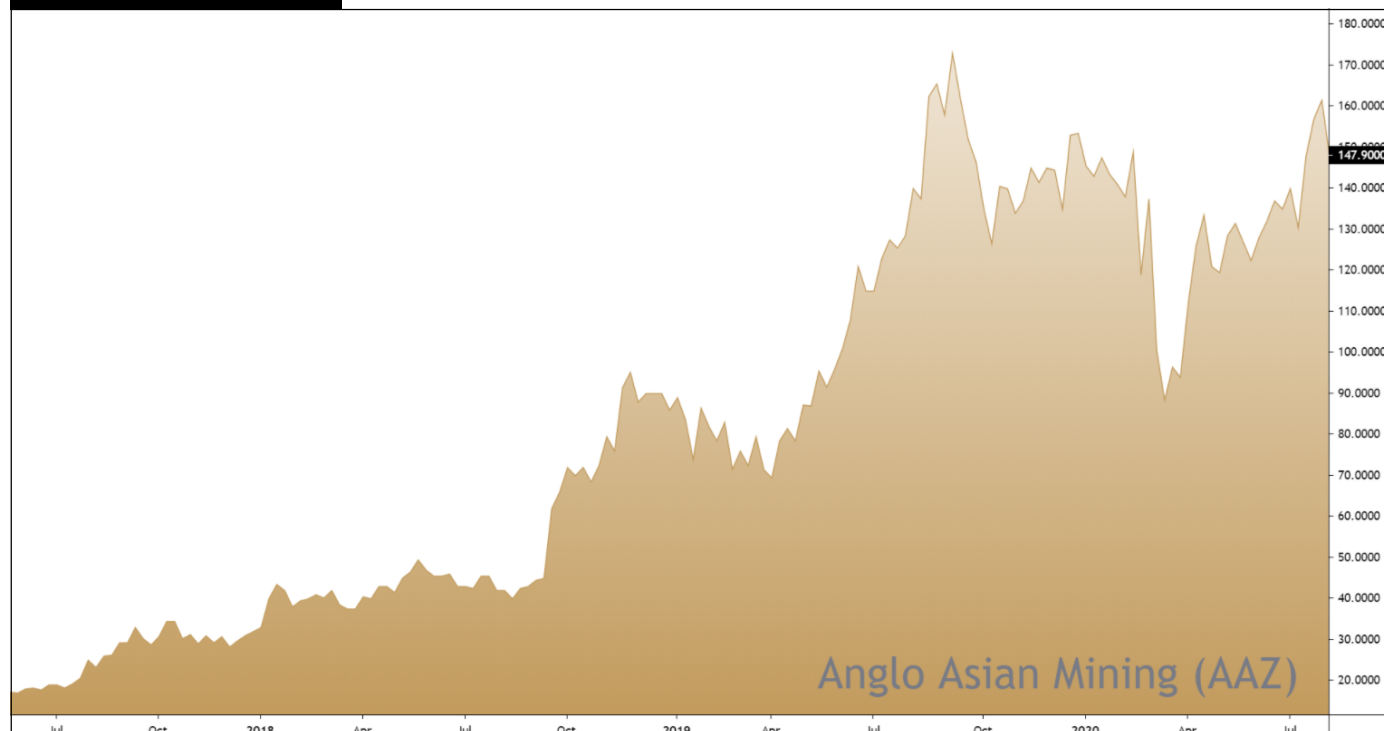
Given the strength of AAZ’s long-term uptrend, we view this pullback as an opportunity to enter AAZ at an attractive price. When you combine this technical catalyst with AAZ’s robust balance sheet and exploration programme, the shares are well positioned to benefit from underlying bull market in gold.



Summary:

- QE-infinity in the US has driven gold to eight-year highs
- AAZ is a low-cost, debt free producer with established production in Western Azerbaijan
- Conroy Gold joint venture represents a good deal for both parties
- Full-year revenue guidance in excess of \$100m
- Pullback in AAZ’s share price has created an attractive buying opportunity

AAZ 3 Year Chart



FULL YEAR GOLD PRODUCTION GUIDANCE

75k-80k_{oz}

PRICE EARNINGS RATIO (FORWARD)

9.5

NET CASH POSITION (2019)

\$21.2m

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Average return on closed positions in the last 12 months **+50.98%***

Name	Symbol	Open Date	Open Price	Closed Price	Close Date	Profit/Loss (%)
Trans-Siberian Gold	TSG	31/01/2019	44.3	50.0	28/01/2020	+ 12.87%
Dart Group	DTG	27/06/2019	831	1712	28/01/2020	+ 106.82%
Johnson Service	JSG	08/08/2019	165	126	30/04/2020	- 23.64%
Churchill China	CHH	24/10/2019	1580	1460	30/04/2020	- 7.59%
Best Of The Best	BOTB	12/12/2019	320	603	13/05/2020	+ 88.44%
Goldplat	GLDP	12/03/2020	4.300	7.690	30/07/2020	+ 78.84%
Highland Gold	HGM	13/02/2020	205	294.40	05/08/2020	+ 45.07%
Codemasters	CDM	14/02/2019	178.7	370.0	06/08/2020	+ 107.05%

** Please be aware that all entry and current price levels are mid-prices. No allowance for dealing costs, fee's or taxes has been made. Past performance is not a guarantee of future performance.*

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