

Claude Resources Inc.

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Claude's current valuation compelling as company stages turnaround: Dundee Capital

Claude Resources (TSE:CRJ) is making a comeback, according to analysts at Dundee Capital Markets, which initiated coverage of the gold miner with a buy rating and 80 cent price target.

The company, which operates the Seabee mine complex in northeastern Saskatchewan, has over 1 million ounces of gold production behind its belt, but it has also faced operational challenges in recent years, including weaker grades, which in turn has hampered production and lifted costs.

The resulting drop in profitability forced Claude's cash balance into negative territory in 2013.

Dundee said that when the situation was at its worst, the commissioning of the higher grade Santoy Gap "changed everything".

"With improved grades from Santoy and more productive mining at Seabee in 2014, production climbed 44% while total cash costs are expected to decline 27% year-over-year," wrote Dundee analyst Joseph Fazzini in a note released to investors on March 26.

The analyst noted that the miner has been staging a comeback through ongoing improvements, underpinned by a rich history of production, benefits to its bottom line and an improved balance sheet.

Indeed, since 1991, Claude has produced over 1 million ounces of gold, with an additional 1 million ounces of total mineral inventory already having been defined. Dundee is confident that significant resource growth potential exists at the mine.

In addition, with Claude's only operating mine being located in Canada, more than 90 percent of its costs are denominated in Canadian dollars, meaning its margins have benefited from the recent depreciation.

Fazzini also highlighted that Claude offers significant leverage to gold, estimating that a 10 percent increase to the gold price would result in a 48 percent bump to Dundee's net asset value on the company.

Given the improved mining practices and higher grade ore from Santoy, Claude achieved record production in 2014 of 63,000 gold ounces, in line with guidance, with the company targeting the growth of its free cash flow this year. It is expecting as much as 65,000 ounces of gold production in 2015, at cash costs of \$750 to \$810 an ounce.

Claude's balance sheet is another point of strength, as it reduced debt by some \$10.6 million by year-end 2014, while its cash balance improved from nil to \$11.2 million. Overall expenditures are down about six percent, and the company's "lean and mean structure" position it to continue generating free cash flow and paying down debt, Dundee said.

According to Fazzini, however, the company is trading at a "rock bottom" valuation, below its junior peer average as a

Market Cap: \$0.00

Share Information

Code: CRJ

Listing: TSX AMEX

Sector: Gold & silver

Website: www.clauderesources.com

Company Synopsis:

Claude Resources is a gold exploration and production company with interests in Canada. The company produces gold from the Seabee Mine in northern Saskatchewan, Canada, and is exploring the Madsen Property in Ontario, Canada.

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result of Claude's small producer status and limited institutional shareholder base.

Despite this, "recent improvements are capturing the market's attention and we consider CRJ's valuation to be compelling at current levels," the analyst concluded.

Shares of Claude were trading at 64 cents on Thursday, up 1.6 percent. The stock has more than doubled in value year-to-date.

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