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November 24, 2020

Minera Alamos Inc.

MAI (TSXV): C\$0.68

Stock Rating: Outperform

Target: C\$1.10

Risk Rating: Speculative

Good Fortune with Receipt of Federal Permit Approvals

Impact: Positive

This morning before market open, Minera Alamos announced the receipt of MIA/ETJ approvals (the equivalent of an Environmental Impact Statement) from SEMARNAT (the Mexican Federal permitting agency) for the La Fortuna project in Durango, Mexico.

La Fortuna Permitting Details

- The company previously received the change of land use permit and all key federal permits for construction are now in hand.
- The approvals allow for up to a 2,000tpd operation, which allows for an expansion beyond the 1,100tpd throughput contemplated in the 2018 PEA, and the 6,200ha land package has a number of enticing exploration targets (*see Figure 1*).
- The operating permit includes the initial open pit mine, waste dump, crushing, grinding and flotation facilities, and all related infrastructure including those required for a potential expansion.
- The permits cover 217 hectares and is valid for 52 years.

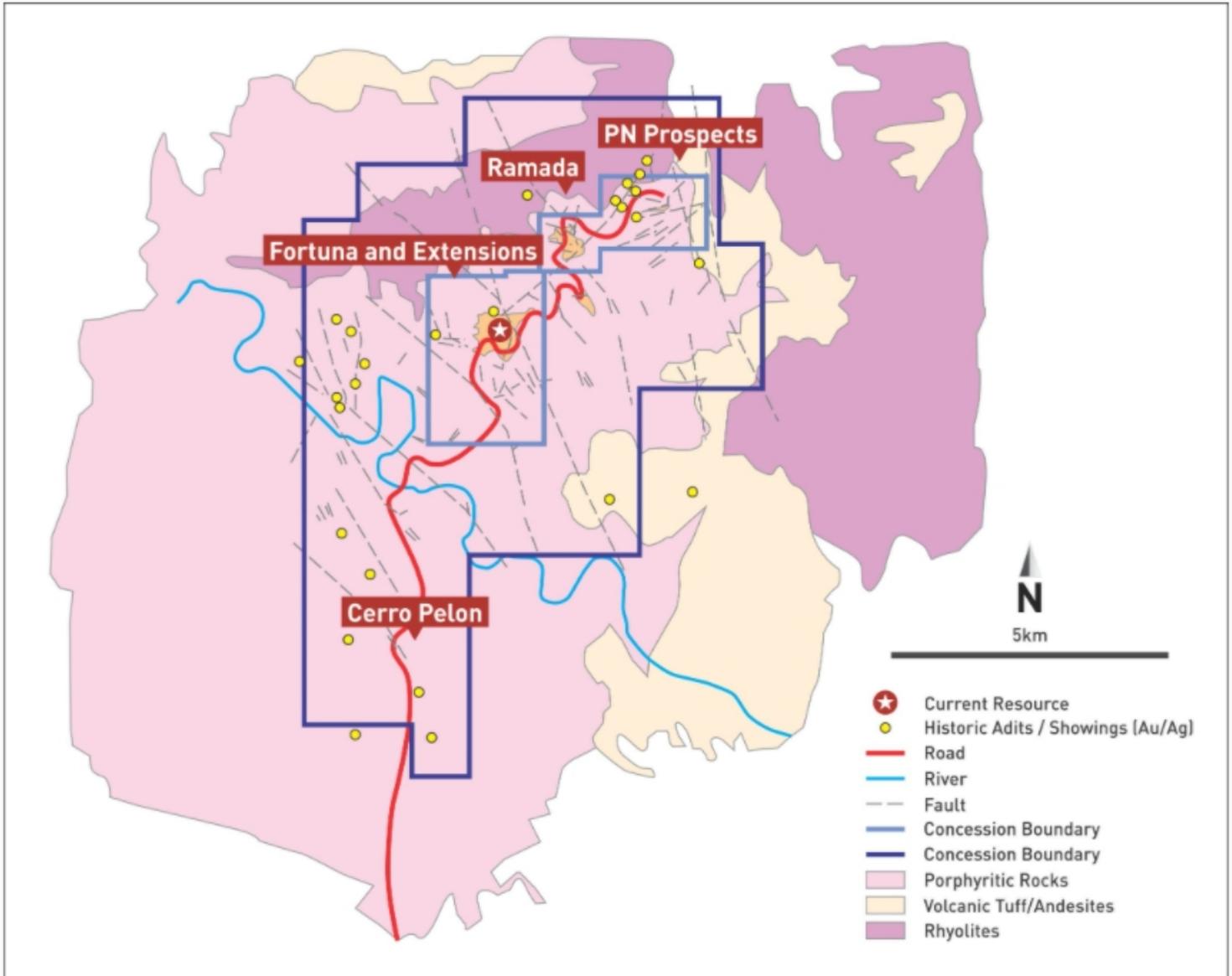
Santana Update

- Management also announced that it will be shipping the crushing system purchased earlier this year to the Santana site after some COVID-19 related delays.
- Production will begin at Santana using a contractor's portable crushing system, with plans to transition to the larger owner-operated crushing system once optimal crushing strategies are better understood. This will allow for an expansion to the production profile contingent on successful exploration.

Outlook and Valuation

- The permitting of La Fortuna is positive, and we wonder if management would look at construction alongside Cerro de Oro to fast track production. With the company already owning the 2,000tpd mill, a 3.68g/t Au milled grade outlined in the PEA and average annual production of 43koz at AISC of US\$440oz over a 5-year mine life, we estimate a project IRR of 116%. In our view, this clearly justifies fast-tracking development.
- Santana is on track for first gold pour in early 2Q20, and we expect that this will help drive a re-rating in 2021 as the company transitions to producer status and exemplifies a strong and deliverable growth pipeline, with each asset showing potential for resource expansion through exploration.
- Minera Alamos is trading at 0.69x our NAV estimate versus developer peers trading at 0.68x. Our target is based on a 1.10x NAV multiple, and the stock continues to be a preferred developer name.

Figure 1: The La Fortuna Land Package Spans 6,100ha With Exploration Upside on Multiple Targets



Source: Company Presentation

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An NBF analyst attended a site visit of the Santana project in Sonora State, Mexico on March 10, 2020. A portion of the analyst's expenses was paid for by the issuer.