

## Altaley Mining Corp. (TSXV:ATLY)

### Q2/21 Financials Demonstrate Steady QoQ Improvements

## Financial Results

August 31, 2021

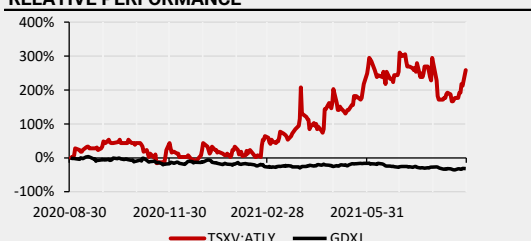
(Currency is CAD\$ unless noted otherwise)

Closing Price (\$/sh)	\$0.70
Rating	NA
Target (\$/sh)	NA
Return to Target	NA
52 Week Low / High	\$0.15 / \$0.80
<b>CAPITALIZATION</b>	<b>Basic Diluted</b>
Shares Outstanding (M)	253.3 333.9
Market Capitalization (\$MM)	\$177.3
Enterprise Value (\$MM)	\$211.3
Cash and Cash Equivalents (\$MM)	\$12.9
Total Debt (\$MM)	\$46.9

#### STOCK CHART



#### RELATIVE PERFORMANCE



#### RELATIVE VALUATION

	EV (\$MM)
Altaley Mining Corporation	\$211.3
Peers*	\$170.1

\*S&P Capital IQ

#### MAJOR SHAREHOLDERS

Management (7.97%), Estrategica Corporativa En Finanzas (14.93%), Promotora De Sistemas De Información (6.21%), Macro Holdings & Investments, LLC (1.86%)

#### DISCLOSURE CODE:

3,4

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ

#### Company Description

Telson Mining Corporation engages in acquisition, exploration, and development of mineral resource projects in Mexico. The company primarily explores for gold, silver, lead, zinc, and copper deposits. It holds 100% interests in the Campo Morado mine consisting of six mining concessions covering an area of approximately 12,045 hectares located in Guerrero state, Mexico; and the Tahuehueto project comprising 28 mining concessions covering an area of 7,492 hectares located in northwestern Durango State, Mexico. The company was formerly known as Telson Resources Inc. and changed its name to Telson Mining Corporation in February 2018. Telson Mining Corporation was incorporated in 1986 and is headquartered in Vancouver, Canada.

#### Impact: Mildly Positive

Altaley Mining reported financial and full operating results for Q2/21. Overall, the results compare favorably to those released for Q1/21 ([read more](#)), and indicate that the company is continuing to make strides on improving operations at its 100%-owned Campo Morado underground mine in Mexico and strengthening its financial position. **With an ongoing source of positive cash flow from Campo Morado, we believe Altaley is well positioned to execute on its 2021 plans, which includes construction and initial production from its Tahuehueto mine.**

- **Production continues to improve at Campo Morado.** As previously reported ([read more](#)), the last quarter saw production of 11.9kt of Zn concentrate (+8% QoQ) and 2.7kt of Pb concentrate (+42% QoQ) from ~164kt of ore milled (-6% QoQ, +133% YoY). The increase in concentrate production was the result of higher grades mined (+10-15% QoQ for Au, Ag, Pb and Zn) as well as improved recoveries (+50% Au, +23% Ag, +18% Pb and +6% Zn QoQ). Recoveries averaged 22% and 46% for Au and Ag, respectively. Notably, optimization work and cost reduction efforts during the quarter led to reduced cash costs of US\$0.48/lb Zn (-33% QoQ) and AISC of US\$0.77/lb Zn (-14% QoQ).
- **Steady production translates to a strengthened financial position.** The quarter saw mine operating profit of \$9.1M (\$14.2M YTD) and total income of \$7.6M (\$11.4M YTD), translating to a basic EPS of \$0.03 (+50% QoQ). Quarterly revenue totaled \$18.5M (+35% QoQ), which was primarily attributable to increased production and higher metal prices. Further results are summarized in Figure 1. All the key indicators such as mine and production rates, sales and other have significantly improved QoQ which translates to higher revenues, lower costs and expenses and higher profits.
- **Strong near-term growth ahead.** A metallurgical testing program is underway at Campo Morado ([read more](#)), which involves evaluating Imhoflot flotation technology for potentially higher recoveries amongst other improvements. An Imhoflot pilot plant is currently on site. Meanwhile, construction at Tahuehueto is nearing 70% completion, and Altaley is targeting initial pre-production by year-end before ramping up to commercial production in Q1/22. The 2017 PFS for Tahuehueto outlines a 21-year LOM with average annual production of ~16k oz Au, ~177 oz Ag, ~900k lb Cu, ~3.2M lb Pb and 5.6M lb Zn. With the recently executed US\$25M financing package ([read more](#)), Altaley has funds available to finish construction of a 1,000 tpd processing facility and related infrastructure at Tahuehueto.

**We have not yet formally valued Telson (no rating or target price).** We believe operational improvements at Campo Morado and advancements at Tahuehueto are key to re-rating the stock. **Upcoming catalysts:** 1) Construction updates for Tahuehueto (ongoing), 2) Metallurgical test results at Campo Morado (H2/21), 3) Q3/21 production and financial results (Q4/21), and 4) Initial production at Tahuehueto (Q4/21).

**Figure 1: Altagility Mining Reported Quarterly Operating and Financial Results**

	Q2 2021A	Q1 2021A	Q4 2020A	Q3 2020A	Q2 2020A	Q1 2020A
Zn Concentrate (kt)	11.9	11.0	10.0	7.8	3.9	6.4
Pb Concentrate (kt)	2.7	1.9	1.9	1.6	0.9	1.3
CI Cash Cost (US\$/lb)	\$0.48	\$0.72	\$1.28	\$1.26	\$1.26	\$0.78
AISC (US\$/lb)	\$0.77	\$0.90	\$1.39	\$0.80	\$2.17	\$1.00
Zn Price (US\$/lb)	\$1.33	\$1.26	\$1.21	\$1.09	\$0.91	\$0.98
Pb Price (US\$/lb)	\$0.99	\$0.94	\$0.89	\$0.88	\$0.78	\$0.85
Revenue (C\$M)	\$18.5	\$13.7	\$9.6	\$6.7	\$3.3	\$3.5
EPS (C\$/sh)	\$0.03	\$0.02	-\$0.06	\$0.03	-\$0.03	-\$0.01
EBITDA (C\$M)	\$7.0	\$4.0	-\$1.2	\$0.8	-\$2.0	-\$1.3
FCF (CFO+CFI) (C\$M)	-\$4.3	\$0.7	\$1.4	\$3.5	-\$5.4	-\$1.6
CFPS (C\$/sh)	-\$0.02	\$0.00	\$0.01	\$0.02	-\$0.04	-\$0.01
Cash (C\$M)	\$8.9	\$10.8	\$0.3	\$0.7	\$0.7	\$0.2
Debt (C\$M)	\$39.9	\$43.9	\$43.8	\$41.7	\$41.4	\$42.4

Source: Company Reports, S&P Capital IQ Pro, S&P Capital IQ



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Updated August 30, 2021

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target C\$/sh	Status	%
2021-04-19	NA	NA	BUY	70%
2021-06-21	NA	NA	BUY (S)	23%
			HOLD	0%
			SELL / Tender	0%
			NA	6%
			Under Review	1%

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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Altaley Mining Corp.	TSXV:ATLY	3,4

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