



Minera Alamos Inc.

(MAI-V)
SECTOR: Mining

STOCK PRICE \$0.54
RATING **BUY**
TARGET PRICE \$1.05
RISK Very High

OPERATIONAL UPDATE

First Gold Production at Santana

OUR TAKE: With initial delivery of gold doré, confirmation of quick gold leaching rates and low reagent consumption, the Santana operation ramp up is meeting operational expectations so far for leaching recovery rates and reagent consumption. The overall ramp-up of mining activities continues to advance and by late October mining rates by the contractor were approaching initial design start-up levels on multiple days.

KEY HIGHLIGHTS

- ◆ **Rapid Gold Extraction Kinetics at Santana** – This morning, Minera Alamos announced the first delivery of gold doré from its Santana gold mine in Sonora, Mexico. Stacking of ore on the leach pad started in July and leaching commenced at the end of August. Results so far confirm expected quick leach recovery rates and low reagent consumption that was seen during heap leach test pad operations prior to start-up. Since leaching started in late August, Minera Alamos has seen 60% recovery in 30-40 days of leaching – a very quick leach curve and we expect Santana will hit targeted recovery rates of ~75% within 4-6 months. As more ore is put under leach, gold production will start to ramp up quickly and we model 35,000 ounces of production for 2022. Approximately 400 ounces of gold was contained in the doré poured from the first shipment of carbon sent off site. The contractor continues to ramp up mining rates in the pit and by late October, tonnes moved approached targeted rates on multiple days, and Minera Alamos is now focused on maintaining these levels on a consistent basis. Gold content in the pregnant leach solution pond has increased nicely from a range of 0.2 to 0.3 ppm in September, to above 0.8 ppm in late October, as more ore is put under leach. The process plant solution throughput has also steadily increased from an average of 1,400 -1,500 m³ per day in September, to over 3,000 m³ per day in late October. Overall, Minera Alamos is about six months behind its initial schedule for first production, due mostly to COVID-19 related delays, however things are progressing well now.
- ◆ **A Healthy Cash Balance** – With over ~\$16 million in cash as of June 30, 2021, Minera Alamos is well funded to move Santana to commercial production and a maiden resource estimate is also expected to be released in late 2021. Minera Alamos also owns about 600,000 shares of Prime Mining (PRYM-V, Not Rated), which has a value today of ~\$2.9 million. At the recently acquired Cerro do Oro project, the EIA is expected to be submitted in late 2021 with an ~six-month approval process expected, followed by 8-10 months for construction. A resource update for Cerro de Oro is anticipated by year-end 2021 and we model a full year of production in 2023.

RECOMMENDED ACTION

We recommend accumulating shares at current levels

- ◆ **Reiterate our Buy Rating and \$1.05 Target.** Minera Alamos is on its way to commercial production at the Santana project within the next month or so. With three development projects in the pipeline, the Company could be producing over 120,000 oz of gold in the next five years.

KEY STATISTICS AND METRICS

52-Week High/Low	\$0.78/\$0.48
YTD Performance	(21%)
Dividend Yield	n/a
Shares O/S (millions)	442
Market Capitalization, \$M	\$239
Cash, \$M	\$18
Debt, \$M	\$2
Enterprise Value \$M	\$220
Daily Volume (3 mos.)	331,700
Currency	C\$ unless noted

HAYWOOD ESTIMATES (USD)

	2021E	2022E	2023E
Gold Price (US\$/oz)	\$1,800	\$1,850	\$1,900
Revenue (\$M)	\$13	\$75	\$77
EBITDA (\$M)	\$2	\$37	\$39
CFO (\$M)	\$1	\$32	\$26
CFPS (\$)	\$0.00	\$0.07	\$0.06

VALUATION

Our \$1.05 target is based on a fully financed, after-tax basis considering a 0.85x multiple to our corporate net asset value NAV_{5%} of \$1.12 per share.

Minera Alamos is trading at a P/NAV of 0.57x NAV, versus peers at 0.41x NAV.

First Doré Production from Santana



Source: Minera Alamos



 <p>Minera Alamos Inc. (MAI-V, \$0.54) Rating (Risk): BUY (Very High) Target Price Metric: 0.85x NAV</p>	Target Price, C\$	\$1.05	Shares O/S, millions	441.9
	Return, %	94%	Shares F/D, millions	471.1
	52-Week High / Low, C\$	\$0.78 / \$0.48	Market Capitalization, US\$M	\$192.2
	Daily Volume (3-month avg)	331,700	Company CEO	Darren Koningen
			Company Web Site	mineraalamos.com

	US\$M	US\$ / O/S Share	C\$M	C\$ / O/S Share
Market Capitalization	\$192.2	\$0.44	\$238.6	\$0.54
Current Cash	\$14.5	\$0.03	\$18.0	\$0.04
F/D Cash Adds	\$1.8	\$0.00	\$2.2	\$0.01
Working Capital	\$16.5	\$0.04	\$20.4	\$0.05
Long-term Debt	(\$1.6)	(\$0.00)	(\$2.0)	(\$0.00)
Book Value	\$0.3	\$0.00	\$0.4	\$0.00
Enterprise Value (EV)	\$177.4	\$0.40	\$220.2	\$0.50

EV = Market Capitalization - Working Capital + Long-term Debt
 Spot C\$/US\$ FX Rate: 1.241

	Number	Price	Amount	Expiry
Warrants	0.7M	\$0.63	US\$0.4M	June 2021 - Oct 2021
Options	28.5M	\$0.32	US\$7.5M	Aug 2021 - June 2026

April 3, 2020 - \$5M for 3% NSR on Santana Project
Jan. 13, 2020 - \$6M private placement to OR-T (30M shares at \$0.20/share)
March 4, 2019 - \$5.0M private placement - 49.95M common shares at \$0.10
June 29 - 2017 - \$5.4M private placement - 36.0M common shares at \$0.15
May 30 - 2017 - \$3.3M private placement to Osisko Gold - 22.0M common shares at \$0.15
June 6, 2016 - \$0.4M private placement (4M units at \$0.10; 1 unit = 1 share + 0.5 share purchase warrant)

Assumed Debt Raise of US\$10M in late 2020 at an interest rate of 10%

	O/S (millions)	O/S (%)
Osisko Gold Royalties	76.1	17.2%
Aegis Financial	19.0	4.3%
Invesco	12.0	2.7%
Management	23.0	5.2%

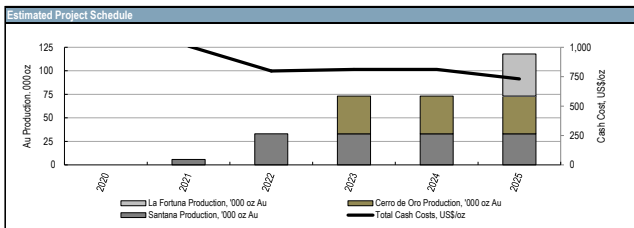
	Base Case	\$1,000	\$1,300	\$1,500	\$1,800	Spot
Forecast Gold Price, US\$/oz	1.22	1.22	1.22	1.22	1.22	1.254
C\$/US\$ FX Rate	1.22	1.22	1.22	1.22	1.22	1.254
Corporate Adjustments, US\$M	(\$21)	(\$21)	(\$21)	(\$21)	(\$21)	(\$21)
Santana After-Tax Project NAV _{5%} , US\$M	\$155	\$27	\$70	\$99	\$142	\$141
Cerro de Oro After-Tax Project NAV _{5%} , US\$M	\$133	\$1	\$48	\$76	\$119	\$118
La Fortuna After-Tax Project NAV _{5%} , US\$M	\$221	\$71	\$119	\$151	\$198	\$198
Additional Exploration Credit, US\$M	\$0	\$0	\$0	\$0	\$0	\$0
Corporate NAV, US\$M	\$487	\$77	\$216	\$305	\$438	\$436
Corporate Adjustments, C\$ / F/D share	(\$0.09)	(\$0.05)	(\$0.05)	(\$0.05)	(\$0.05)	(\$0.05)
Santana After-Tax Project NAV _{5%} , C\$ / F/D share	\$0.40	\$0.05	\$0.20	\$0.25	\$0.36	\$0.35
Cerro de Oro After-Tax Project NAV _{5%} , C\$ / F/D share	\$0.34	\$0.00	\$0.10	\$0.20	\$0.30	\$0.30
La Fortuna After-Tax Project NAV _{5%} , C\$ / F/D share	\$0.57	\$0.20	\$0.30	\$0.39	\$0.51	\$0.50
Additional Exploration Credit, C\$ / F/D share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Corporate NAV, C\$ / F/D share	\$1.21	\$0.20	\$0.55	\$0.78	\$1.11	\$1.10
Current Price / Corporate NAV	0.4x	2.7x	1.0x	0.7x	0.5x	0.5x
Target Price / Corporate NAV	0.9x	5.3x	1.9x	1.3x	0.9x	1.0x
Implied Target Price, @ 0.9x NAV	\$1.05	\$0.17	\$0.47	\$0.67	\$0.95	\$0.98
Implied Target Price, @ 1.0x NAV	\$1.21	\$0.20	\$0.55	\$0.78	\$1.11	\$1.10

Base case gold price assumption of US\$1,800/oz in 2021, US\$1,850 in 2022 and US\$1,900/oz thereafter.
 Fully Financed Fully Diluted Shares, millions: 475.1
 2021E C\$/US\$ FX Rate: 1.220

	2019A	2020A	2021E	2022E	2023E	2024E
Forecast Gold Price, US\$/oz	\$1,393	\$1,772	\$1,800	\$1,850	\$1,900	\$1,900
C\$/US\$ FX Rate	1.330	1.340	1.250	1.220	1.220	1.220
Shares O/S, millions	441.9	445.8	455.3	455.8	456.3	456.3
Revenue, C\$M	\$0.0	\$0.0	\$13.0	\$74.7	\$76.7	\$76.7
Operating Cost, C\$M	\$0.0	(\$2.0)	(\$7.7)	(\$34.5)	(\$34.7)	(\$34.7)
Corporate G&A, C\$M	(\$3.3)	(\$3.3)	(\$3.3)	(\$3.3)	(\$3.3)	(\$3.3)
EBITDA, C\$M	(\$3.3)	(\$5.3)	\$2.1	\$36.9	\$38.8	\$38.8
EV / EBITDA	-	-	106.9x	6.0x	5.7x	5.7x
DD&A, C\$M	\$0.0	\$0.0	(\$0.4)	(\$1.6)	(\$1.7)	(\$1.9)
Earnings, C\$M	(\$4.1)	(\$6.3)	(\$1.0)	\$28.5	\$23.1	\$22.9
EPS, C\$	-	(\$0.01)	(\$0.00)	\$0.06	\$0.05	\$0.05
Current Price / EPS	-	-	-	8.6x	10.7x	10.7x
Target Price / EPS	-	-	-	16.8x	20.8x	20.9x
Cash Flow Before W/C Changes, C\$M	(\$5.8)	(\$5.5)	\$1.1	\$31.8	\$26.4	\$26.4
CFPS, C\$	-	(\$0.01)	\$0.00	\$0.07	\$0.06	\$0.06
Current Price / CFPS	-	-	-	226.9x	7.7x	9.3x
Target Price / CFPS	-	-	-	441.3x	15.1x	18.1x
CAPEX and Capitalized Stripping, C\$M	(\$0.6)	(\$14.3)	(\$0.9)	(\$0.9)	(\$0.9)	(\$37.5)
Free Cash Flow before Financing, C\$M	(\$6.3)	(\$19.9)	\$0.2	\$30.9	\$25.6	(\$11.0)
Proceeds from Equity Financing, C\$M	\$4.6	\$6.0	\$0.0	\$0.0	\$0.0	\$0.0
Proceeds from Debt Financing, C\$M	\$0.0	\$10.0	\$0.0	\$0.0	\$0.0	\$0.0
Debt Repayment + Interest, C\$M	\$0.0	(\$0.3)	(\$1.0)	(\$1.0)	(\$10.0)	\$0.0
Change in Cash and Equivalents, C\$M	\$0.6	\$2.5	\$0.4	\$32.0	\$15.6	(\$11.0)
Change in Cash and Equivalents per Share, C\$	\$0.00	\$0.01	\$0.00	\$0.07	\$0.03	(\$0.02)

CFPS sensitivity is based on a US\$50/oz change in forecast gold price.

	2020	2021	2022	2023	2024	2025	LOM
Santana (100% owned, open pit)							
Tonnes Leached, millions	-	0.3	1.7	1.7	1.7	1.7	15.6
Tonnes Leached, tpd	-	4,700	4,700	4,700	4,700	4,700	4,700
Gold Grade, g/t	-	0.80	0.80	0.80	0.80	0.80	0.80
Gold Recovery, %	-	75%	75%	75%	75%	75%	75%
Gold Production (100%), ounces 000's	-	5	35	35	35	35	300
Total Cash Cost, US\$/oz	-	\$1,010	\$800	\$800	\$800	\$800	\$785
AISC, US\$/oz	-	\$1,050	\$820	\$825	\$825	\$825	\$805
Initial Capital, US\$M	\$10	-	-	-	-	-	\$10
Sustaining Capital, US\$M	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$9.1
Cerro de Oro (100% owned, open pit)							
Tonnes Milled, millions	-	-	-	4,150	4,150	4,150	29,050
Tonnes Milled, tpd	-	-	-	11,370	11,370	11,370	11,370
Gold Grade, g/t	-	-	-	0.40	0.40	0.40	0.40
Gold Recovery, %	-	-	-	75%	75%	75%	75%
Gold Production (100%), ounces 000's	-	-	-	40	40	40	280
Total Cash Cost, US\$/oz	-	-	-	\$820	\$820	\$820	\$820
AISC, US\$/oz	-	-	-	\$895	\$895	\$895	\$880
Initial Capital, US\$M	-	-	\$25	-	-	-	\$25
Sustaining Capital, US\$M	-	-	-	\$3	\$3	\$3	\$18
La Fortuna (100% owned, open pit)							
Tonnes Milled, millions	-	-	-	-	-	0.4	3.5
Tonnes Milled, tpd	-	-	-	-	-	1,100	1,100
Gold Grade, g/t	-	-	-	-	-	3.86	3.41
Gold Recovery, %	-	-	-	-	-	90%	90%
Gold Production (100%), ounces 000's	-	-	-	-	-	45	345
Total Cash Cost, US\$/oz	-	-	-	-	-	\$600	\$605
AISC, US\$/oz	-	-	-	-	-	\$635	\$640
Initial Capital, US\$M	-	-	-	-	-	\$30	\$30
Sustaining Capital, US\$M	-	-	-	-	-	\$1.5	\$12.0
Gold Production (100%), ounces 000's	-	5	35	75	75	120	937
Total Cash Cost, US\$/oz	-	\$1,010	\$800	\$810	\$810	\$730	\$475
AISC, US\$/oz	-	\$1,695	\$920	\$905	\$905	\$805	\$919



	Tonnes (000's)	Au Grade (g/t)	Gold (Moz)	EV/oz (US\$/oz)	Mine Life (years)
Model Mineable (100%)	19,046	1.3	0.8	\$226	9.0
Model Recoverable (100%)	-	-	0.6	\$275	-
Proven and Probable Reserve (100%)	-	-	-	-	-
La Fortuna Measured & Indicated Resource (100%)	3,470	2.8	0.31	-	-
Santana Measured & Indicated Resource (100%)	-	-	-	-	-
La Fortuna Inferred Resource (100%)	156	1.7	0.01	-	-
Santana Inferred Resource (100%)	-	-	-	-	-
Total Reserve and Resource (100%)	3,626	2.7	0.32	\$557	-
Attributable Reserve	-	-	-	-	-
Attributable Reserve and Resource	3,626	2.7	0.32	\$557	-

Santana
- 9.0 year mine life at 4,700 tpd, 33,000 oz Au per year at TCC US\$775/oz and AISC US\$800/oz
- LOM grade 0.80 g/t, gold recovery 75%, Initial Capex US\$10M
La Fortuna
- 8.5 year mine life at 1,100 tpd, 40,000 oz Au per year at TCC US\$625/oz and AISC US\$660/oz
- LOM grade 3.30 g/t, gold recovery 75%, Initial Capex US\$30M
Cerro de Oro
- 7 year mine life at 11,370 tpd, 40,000 oz Au per year at TCC US\$820/oz and AISC US\$885/oz
- LOM grade 0.40 g/t, gold recovery 75%, Initial Capex US\$15M

	Price (\$)	NAV (US\$)	EV (US\$)	P/NAV	Gold Reserves (Moz)	Total Resources	Reserve EV/oz	Resource EV/oz
Minera Alamos Inc. (MAI-V)	\$0.53	\$0.93	\$174	0.57x	0.0	0.9	-	US\$184
Belo Sun Mining Corp (BSX-T)	\$0.61	\$1.25	\$196	0.39x	3.8	6.1	US\$52	US\$32
Bluestone Resources Inc. (BSR-V)	\$1.60	\$5.37	\$164	0.24x	0.0	3.0	-	US\$55
Perpetua Resources Corp. (PPTA-T)	\$5.65	\$16.91	\$284	-	4.8	6.0	US\$59	US\$47
Nighthawk Gold Corp. (NHK-T)	\$0.98	\$3.08	\$61	0.26x	0.0	3.0	-	US\$20
Orezone Gold Corporation (ORE-T)	\$1.13	\$1.91	\$257	0.48x	1.8	6.2	US\$140	US\$42
Oria Mining Ltd. (OLA-T)	\$4.25	\$5.04	\$930	0.68x	1.6	11.6	US\$586	US\$80
Sabina Gold & Silver Corp. (SBB-T)	\$1.43	\$2.91	\$377	0.40x	2.2	9.2	US\$174	US\$41
Peer Group Average				0.41x			US\$202	US\$45
Peer Group Average (excluding highlow)				0.49x			US\$125	US\$43

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Source: CapitalIQ, Haywood Securities



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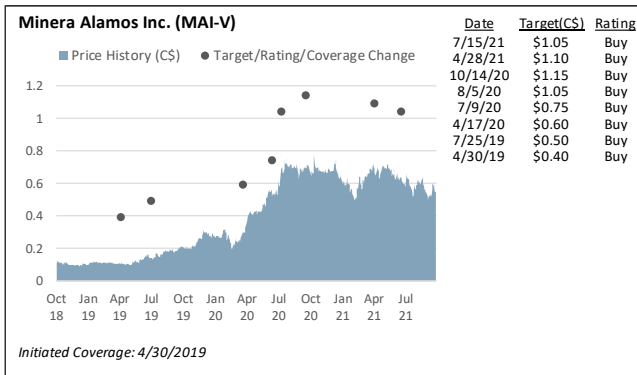
Ticker	Company	1	2	3	4	5	6	7	8
TSXV:BSR	Bluestone Resources Inc.	X		X					
TSXV:MAI	Minera Alamos Inc.			X					
TSX:NHK	Nighthawk Gold Corp.			X	X		X		
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	%	#	IB Clients (TTM)
Buy	82.7%	81	84.6%
Hold	5.1%	5	7.7%
Sell	0.0%	0	0.0%
Tender	2.0%	2	2.6%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	10.2%	10	5.1%



Price Chart, Rating and Target Price History (as of November 4, 2021)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
 Source: Capital IQ and Haywood Securities

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