

PROJECT UPDATE

Minera Alamos Acquires a Cheap Crushing System for Santana

OUR TAKE: The Santana project recently commenced construction and has now secured a crushing system that could support future expansion scenarios. With a 6-8-month construction window, Santana should be producing gold by year-end.

KEY HIGHLIGHTS

- ◆ **Crushing System Acquired for \$1.2M** – Minera Alamos has announced an Equipment Purchase Agreement with Mako Mining Corp. (MKO-V, Not Rated), to acquire a complete crushing, screening, agglomeration and stacking system for the Santana gold project. The system has a design capacity of between 5,000 to 6,000 tpd and through three stage crushing takes material to a crush size of -3/8". Prior test work has shown optimal crush size for Santana is in the -1" range, and this system could easily process much more ore, likely in the 10,000 tpd range (Haywood estimate), which would facilitate an easy expansion if justified by resource growth. In addition, capacity could be further expanded through the incorporation of additional crushing/screening stages, which would support future expansions at Santana as resources are expanded. Our mine plan currently incorporates throughput of 4,700 tpd with annual production of 33,000 oz of gold per year. Minera Alamos plans to start initial operations at Santana with contractor portable crushing equipment until optimal crushing strategies are determined. The purchase price of \$1.2 million will be made in staged payments (\$300K on execution of the equipment purchase agreement shortly, \$700K on closing date, expected by April 30th and \$200K by June 20th) and is a good accretive acquisition for the Santana project – this is exactly the kind of deal we have come to expect from the management team at Minera Alamos. Replacement cost for this equipment is likely in the \$10 million range (Haywood estimate) and was new equipment when acquired by Mako Mining (previously Marlin Gold).
- ◆ **Crushing System Previously Used at one of Mexico's Highest-Grade Heap Leach Mines** – The crushing system was installed at Mako Mining's La Trinidad gold heap leach operation, that was in operation from November 2014 until the operation shut down in 2019. Following mine closure, the equipment was packaged and shipped to Arizona for storage. Minera Alamos has inspected this gear and it is in good condition.
- ◆ **Santana Construction Recently Commenced** – On January 16, 2020, Minera Alamos announced the start of construction at its Santana Gold Mine in Sonora, Mexico with early works underway, including site clearing, road work, preparation for the leach pads and water ponds. Construction is expected to take around 6 to 8 months to complete this project.
- ◆ **Gold Production Expected in Q4/20** – The Santana Gold Project does not have a feasibility study or technical report completed, however, results from the 50,000 tonne bulk heap-test completed between 2018 and 2019 were positive and management built the Castillo mine in Mexico in a similar fashion. For 2020 we model 15,000 ounces of production in a partial year, followed by 35,000 ounces in 2021 with AISC of ~US\$850/oz.
- ◆ **Funded to Build Santana** – In December 2019, Minera announced a \$14 million equity and royalty financing package to fund Santana construction. The financing included 30 million common shares at a price of \$0.20 per share to Osisko Gold Royalties (OR-T, Buy Rating, \$19.50 TP) for aggregate gross proceeds of \$6 million, plus a 3% NSR on the Santana Project for a cash payment of \$5 million to Minera Alamos. Minera Alamos will also have the right to draw up to an additional \$3 million in financing from Osisko if required during construction and start-up of Santana. The initial capital cost for the project is estimated at \$10 million which includes construction of the carbon plant, pads, ponds and various earthworks. We assume start-up in mid-2020 at a capital cost of US\$10 million.

RECOMMENDED ACTION

We recommend accumulating shares at current levels

- ◆ **Reiterate our Buy Rating and \$0.50 Target.** Minera Alamos holds two development projects in its project portfolio that can be quickly ramped up to production, with the potential to produce ~100,00 ounces of gold over the next few years. The Company's strategy of finding, building and expanding low capex, near-term projects in Mexico is something that the management team has successfully done before.

KEY STATISTICS AND METRICS

52-Week High/Low	\$0.32/\$0.10
YTD Performance	(10%)
Dividend Yield	n/a
Shares O/S (millions)	406
Market Capitalization, \$M	\$110
Cash, \$M	\$15
Debt, \$M	\$2
Enterprise Value \$M	\$102
Daily Volume (3 mos.)	532,210
Currency	C\$ unless noted

HAYWOOD ESTIMATES (USD)

	2020E	2021E	2022E
Gold Price (US\$/oz)	\$1,550	\$1,500	\$1,475
Revenue (\$M)	\$33	\$64	\$153
EBITDA (\$M)	\$20.9	\$27.5	\$78.6
CFO (\$M)	\$16.0	\$16.7	\$68.2
CFPS (\$)	\$0.03	\$0.03	\$0.14

VALUATION

Our \$0.50 target is based on a fully financed, after-tax basis considering a 0.8x multiple to our corporate net asset value NAV_{5%} of \$0.60 per share.

Minera Alamos is trading at US\$86 EV/oz of gold, relative to peers at US\$74 EV/oz of gold, and at a P/NAV of 0.59x NAV, versus peers at 0.57x NAV.

Crusher Equipment



CRUSHER EQUIPMENT LIST

Item	Equipment Description
1	Complete Primary Crusher System. This includes-- TEREX CEDARAPIDS Jaw Crusher Model JS3042 Mid-Mount / Excel 48"x20" Heavy Duty Apron Feeder / Simplicity 5'x8' Scalping Screen Model M120B5 / Rock Box 100 ton
2	CV-01 Conveyor belt 48" x 32ft
3	CV-02 Conveyor belt 48" x 120ft
4	Scalping Screen BIVITEC 8'x24' 57N 158-M120B5-7162
5	CV-03 Conveyor belt 36" x 60'
6	Cedarapids MVP380X Cone Crusher S/N TRXR380COKDF0550
7	CV-04 Conveyor Belt 48" x 120'
8	Scalping Screen BIVITEC 8'x24' 57N 158-M120B5-7162
9	CV-05 Conveyor Belt 36"x68'
10	Cedarapids MVP380X Cone Crusher S/N TRXR380COKDG0558
11	CV-06 Conveyor Belt 36"x60'
12	CV-07 Conveyor Belt 36"x60'
13	CV-08 Conveyor Belt 36"x100'
14	CV-09 Conveyor Belt 36"x68'
15	CV-10 Conveyor Belt 36"x50'
16	Intersystem Belt Sampler S/N 10131028567
17	Belt Scale
18	Lime Silo Belgrade
19	Cement Silo Belgrade
20	CV-11 Conveyor Belt 36"x75'
21	Sepro Agglomerator Drum system / Drives and tires
22	CV-12 Conveyor Belt 36"x60'
23	1.8 Mkw Electric Generator
24	CCM and PLC system
25	CCM Agglomerator



Source: Minera Alamos

Stacker and Conveyors



Source: Minera Alamos



Important Information and Legal Disclosures

This report is intended for institutional investors and may only be distributed to non-institutional US clients in the following states: Delaware, Louisiana, Maryland, Missouri, New York, Pennsylvania, and Wisconsin. Otherwise, this report may only be distributed into those states with an institutional buyer state securities registration exemption.

Analyst Certification

I, Kerry Smith, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

Important Disclosures

Of the companies included in the report the following Important Disclosures apply:

- ◆ Haywood Securities, Inc. has reviewed lead projects of Minera Alamos Inc. (MAI-V), Osisko Gold Royalties Ltd. (OR-T) and a portion of the expenses for this travel may have been reimbursed by the issuer.
- ◆ Haywood Securities Inc. or one of its subsidiaries has managed or co-managed or participated as selling group in a public offering of securities for Osisko Gold Royalties Ltd. (OR-T) in the last 12 months.

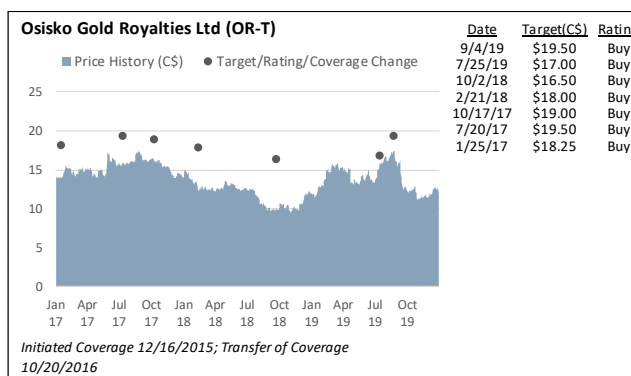
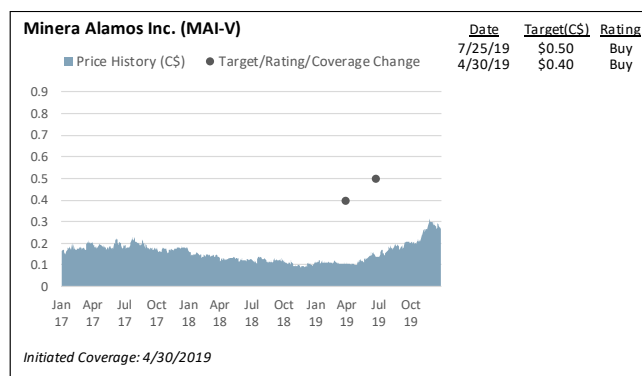
Other material conflict of interest of the research analyst of which the research analyst or Haywood Securities Inc. knows or has reason to know at the time of publication or at the time of public appearance:

- ◆ n/a

Distribution of Ratings (as of January 30, 2020)

	%	#	IB Clients (TTM)
Buy	76.2%	80	96.7%
Hold	13.3%	14	0.0%
Sell	1.0%	1	0.0%
Tender	1.9%	2	0.0%
UR (Buy)	1.0%	1	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	6.7%	7	3.3%

Price Chart, Rating and Target Price History (as of January 30, 2020)



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

Link to Research Policy: <http://haywood.com/what-we-offer/research/research-policy>

Member of the Canadian Investor Protection Fund

