

March 26, 2019

Minera Alamos Inc.

Rebuilding The Castle

Unless otherwise denoted, all figures shown in US\$
We are using a 0.752 US\$/C\$ conversion rate

Recommendation: **Buy (S)**

Target Price: **C\$0.25**

Company Statistics:

Stock Symbol: **MAI – TSXV**

Price: **C\$0.11**

Share Outstanding:

Basic: **350.9 MM**

Fully Diluted: **451.7 MM**

Management: **25.0 MM (8.0%)**

Market Cap: **C\$38.6 MM**

Enterprise Value: **C\$33.4**

Cash: **C\$5.2 MM**

High – Low: **C\$0.16 – C\$0.09**

Current Resource: **1.0 MMoz AuEq**

Forecast Resource: **1.35 MMoz AuEq**

Company Description:

Minera Alamos is an advanced-stage exploration and development company with a portfolio of small, high-quality, low capex Mexican assets. With a cornerstone strategic partner in Osisko Gold Royalties, (Buy, C\$17.00 Target) Minera Alamos will face minimal funding hurdles as it looks to complete a phased build out of small mines.

- ◆ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for these companies

Unusual Growth Model: Minera is following the Castle Gold model (sold to ♦Argonaut) of bootstrapping small but low-capex mines into production then using the cash flow to scale. Minera has three advanced assets in Mexico, two (Santana, La Fortuna) will be permitted by H1/19 and a third (Guadalupe De Los Reyes – “GDR”) is in the engineering/design phase.

Proven Team: Minera’s CEO is a metallurgist with a specialization in small Mexican heap leach mines, Management and the Board have built multiple analogous mines that serve as key producers for Argonaut (AR:T, Buy, C\$3.80 Target) and Alamos (AGI:T, Not Rated).

Organic Upside: We estimate Minera has defined ~500 koz of new resources since taking control of the three projects. We review why there is ample potential to continue this growth to extend and expand the planned profile to >150 koz/yr by 2022 by targeting near-mine extensions.

◆**Osisko Royalties Backing:** Minera has a royalty funding agreement with Osisko Gold Royalties and the senior is also a 13.3% equity holder. The ultra-low start-up capex (estimated at US\$12.5 MM), along with the royalty funding commitment ensures Minera can move to production insulated from the challenging gold equity market.

Buy (S) Rating, C\$0.25 Target: Based on our model, a fully diluted and funded Minera carries a NAV of C\$0.40. We initiate with a Buy (S) rating. Few peers can deliver comparable production for as little capex. We believe the company can differentiate itself from peers via its focus on fast-tracking to cash flow status.

	2019E	2020E	2021E	2022E	2023E
Au Price (\$/oz)	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250
P/NAV	0.27x				
NAV	C\$0.40				

Disclosure statements located on pages 25 – 29 of this report

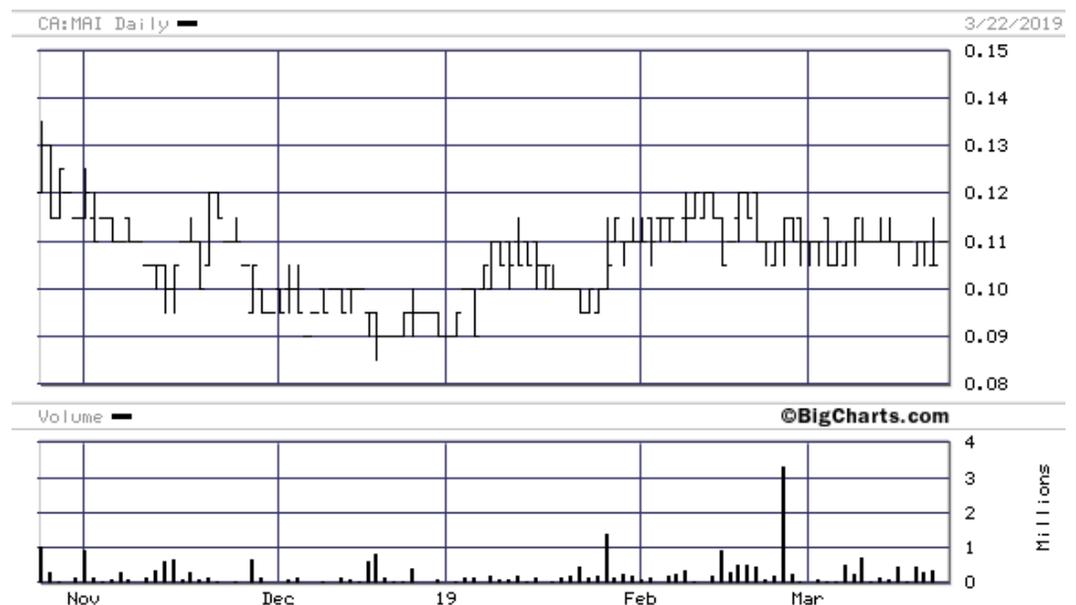
Focusing On Cash Flow Then Scale

Three Advanced Assets

- Asset 1 - Santana (Permit Pending):** Santana was acquired via the merger with Corex Gold ([link](#)) and will be the first mine built under Minera’s compressed growth timeline. Santana is the smallest of three projects (we estimate 300 koz at 0.75 g/t Au) but also the most advanced. Santana is on the cusp of being permitted and is located in Sonora along a paved highway, 50 km SW of Mulatos (Alamos). Minera has already completed a 50,000 tonne bulk sample to de-risk mining and recovery assumptions. We model a Q1/20 start date and production of 42 koz/yr at AISC of US\$821/oz. The real highlight is projected capex of just US\$12.5 MM.
- Asset 2 – La Fortuna (Permitted in H1/19):** Once Santana is in production, Minera expects to divert that cash flow to assist with funding of La Fortuna (Durango State). La Fortuna is considered the flagship project and will use a conventional milling circuit (2,000 tpd mill already acquired). A 2018 PEA completed by CSA ([link](#)) outlined an O/P mine producing 50 koz AuEq/yr at US\$440/oz AISC with pre-production capital of just US\$26.9 MM. We largely twin the PEA model.
- Asset 3 – GDR (Engineering):** The third asset is a 655 koz AuEq open-pit resource (or 723 koz using Minera’s metal price ratio) in Sinaloa state and is currently being engineered in-house as a heap leach operation. While it is the earliest stage asset in the stable, we expect it could add 50 koz/yr to the profile. We use an in-situ valuation for GDR for the time being.
- Target Of 150 Koz production by 2022:** Minera is shooting for junior producer status and starting small to limit equity dilution. In addition to the three starting assets, we expect that the vehicle will position itself as a Latin American roll-up strategy targeting relevant but unfunded resources.

Figure 1

Price Chart



Source: BigCharts.com (Since October 25, 2018)

Figure 2 **Advanced Mexican Asset Portfolio**

Property Summary
Mexican gold development project pipeline

Santana (Permitting)

- Bulk test mining phase successfully completed
- Preliminary engineering and design work completed
- **Applications for commercial-scale permits submitted**

La Fortuna (Permitting)

- Robust PEA released August 2018
- Low capex and <1 year payback
- Post-tax IRR of 93%
- NPV (7.5%) US\$69.8M (starter pit)
- ~50,000 oz annual gold equivalent production
- All-in sustaining costs of US\$440/oz
- **Notification of Permit Approval received Nov 2018**

Guadalupe De Los Reyes (Scoping work)

- 499K AuEq oz Indicated resource
- Proposed heap leach build out similar to Santana
- Engineering planning stage



Source: Company Reports

Proven Bootstrap Model

- The Minera team has combined experience bringing on three mines in the last 12 years with a specific focus on small, efficient heap leach projects in Mexico (including El Sastre, El Castillo and a satellite operation at Mulatos). The goal is to minimize pre-production capex by focusing on getting into production and delaying resource growth until cash flow begins. This concept fits well in the current anemic market for explorer capital.
- The low-capex, starter mine model is also being paired-up with a cornerstone funding partner in Osisko Royalties. This further reduces an already low funding hurdle (see Figure 4).
- The LT goal is reaching production of >150 koz/yr in 2-3 years and we note that Minera starts its life with a stronger initial asset base than the team had at Castle Gold, which was eventually sold to Argonaut for C\$130 MM in 2009.

Osisko Partnership

- **Equity Holder And Future Financier:** Osisko Royalties (“OR”) owns 13.3% of Minera, having participated in a number of equity financings starting in May 2017. The equity placement included a long-term investment agreement that gives Osisko a path to acquiring a 4.0% NSR on the flagship La Fortuna project for C\$9 MM. This agreement was modified in Dec 2018 when Osisko Royalties advanced a C\$2 MM senior secured loan which is convertible to a 1% NSR in lieu of repayment (we assume conversion).

- Other Rights:** In addition to the path to a 4% NSR on La Fortuna, Osisko Royalties will have the right to buy back half of the existing third-party royalty held by Argonaut (i.e. half of 2.5%). Osisko Royalties will also be entitled to acquire (at fair market value) a 2% NSR on any satellite prospects discovered within 250 km of La Fortuna. Finally, Osisko Royalties will have a participation right on any royalty or stream granted on any of Minera’s assets (for example we model a 3% NSR sale on Santana).
- Future Funding Optionality:** Given the low valuation of Minera (0.27x our funded NAV) and the limited appetite for junior gold equities, we believe the partnership with a royalty company is suited to the current market environment and will further ensure Minera can tap into Osisko Royalties “braintrust” of geologists and engineers. As an example, renowned porphyry/epithermal expert, Ruben Padilla has joined the Board of Minera. Recall that Mr. Padilla is chief geologist at the Osisko-linked Talisker Exploration services. This will be key in evaluating the brownfields exploration upside as Minera’s assets are all porphyry/epithermal related systems.

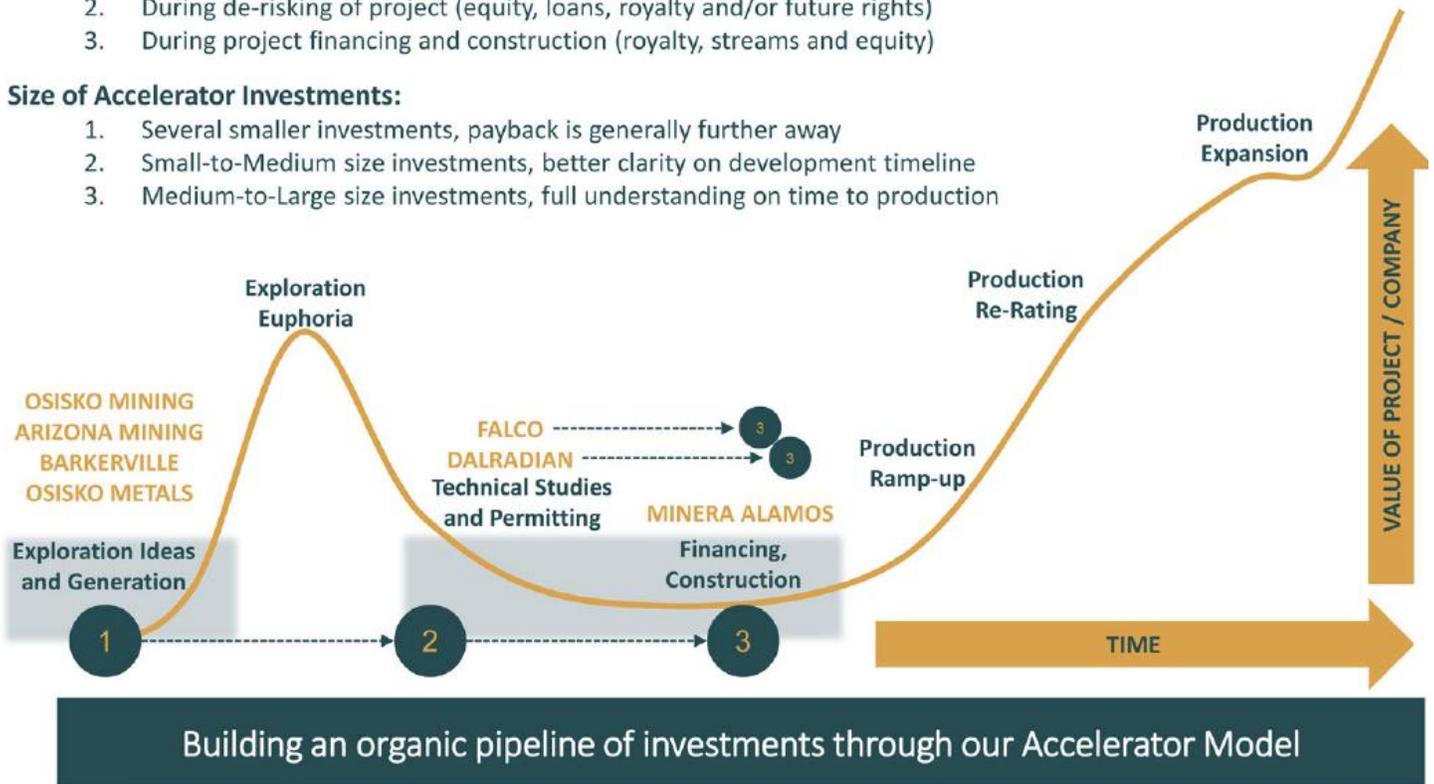
Figure 3 Osisko Royalties Accelerator Model

Timing of Accelerator Investments:

1. Prior to exploration success (equity, royalty and/or future rights)
2. During de-risking of project (equity, loans, royalty and/or future rights)
3. During project financing and construction (royalty, streams and equity)

Size of Accelerator Investments:

1. Several smaller investments, payback is generally further away
2. Small-to-Medium size investments, better clarity on development timeline
3. Medium-to-Large size investments, full understanding on time to production

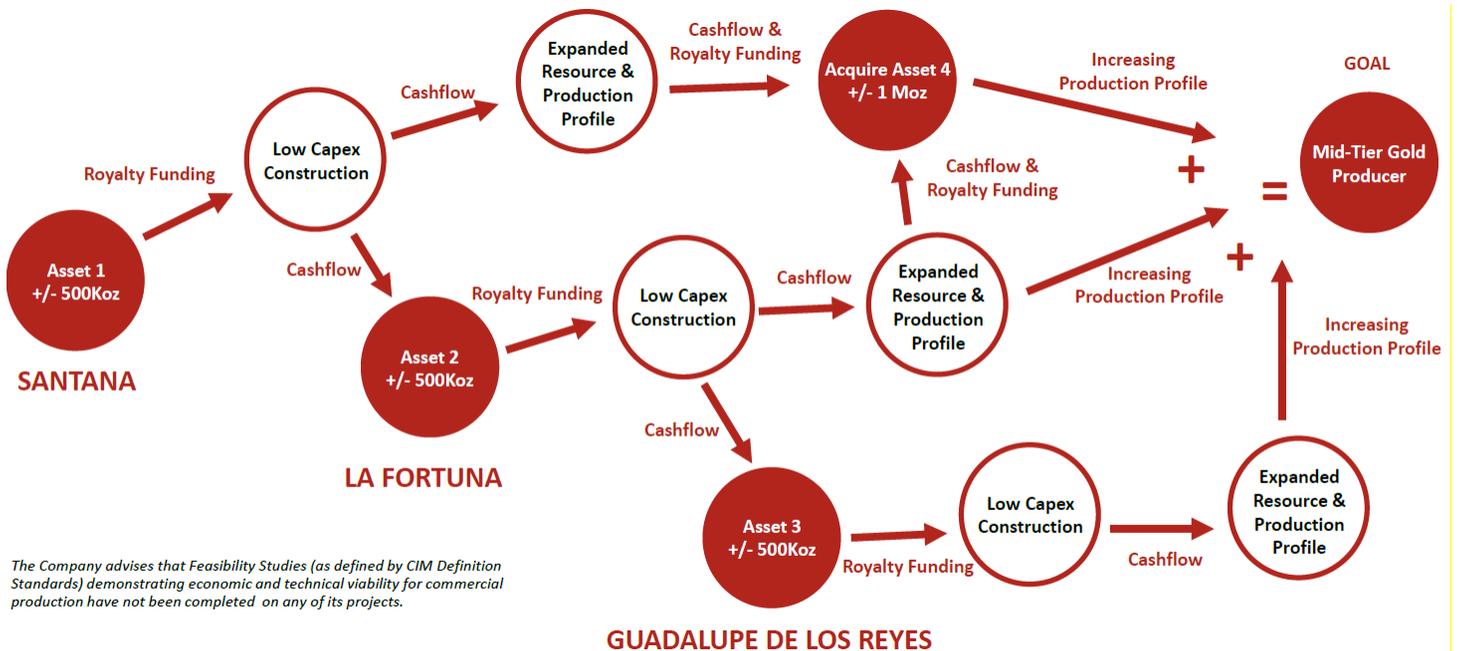


Optimal investing stage for Accelerator Model

Reproduced with permission from Osisko Gold Royalties

Source: Company Reports

Figure 4 Conceptual Growth Path



Source: Company Reports

Asset 1 (Santana) Cormark Model

- Favourable Location:** Santana is a very straightforward asset and is located among a cluster of operating heap leach mines (La Colorada, Mulatos, etc.) in Sonora state (Figure 5). In addition to readily available mining labour and services, the project is road accessible and grid power is available ~100 km away. Given the limited scale of the operation (~8,000 tpd) and lack of fine crushing requirement, we expect that power will be diesel generated to start.
- Low-Strip Starter Pit Resource:** With no compliant study on hand we have relied on our internal resource estimates of this shallow epithermal deposit. We have selected just one zone (“Nicho”) as our model focus. We believe Nicho represents a low strip (Figure 7) open-pit target. Definition drilling includes intercepts of 1.04 g/t Au over 87.0 m and mineralization represents a low-lying hill and this geometry is the major driver of the favourable strip ratio assumption (2.23:1). Based on a rough sectional/polygonal resource, we model a mine plan inventory of 300 koz at 0.75 g/t.
- Test Mining/Leaching Complete:** Minera has mined and processed 50,000 tonnes at various crush sizes (using a mobile crusher) from <0.5” up to 3”. Based on discussions with Management and filings, recoveries average 70-75% and appear relatively insensitive to crush size (some improvement in recovery with fine crush but not enough to justify the capex). We currently assume that no agglomeration will be required for this small (100,000 m²) leach pad. Reagent use is low (<0.20 kg/t for cyanide and lime).

- **US\$12.5 MM Capex:** Multiple factors contribute to the low estimated start-up budget. The infrastructure advantage and contract mining approach contribute to lower surface development costs and the pilot pad indicates little to no crushing facilities will be required. Based on the small resource assumption, Minera plans to simply ship carbon rather than build an ADR plant. In Management's experience this approach also reduces the risk of theft. Our capex assumption is further supported by Management track record bootstrapping similar heap leach assets into production. We have also cross checked this estimate with ♦Equinox's (EQX:T, Buy, C\$1.75 Target) Phase-1 test leach operation at Castle Mountain in California (2018 PFS). For example, the pre-tax, pre-contingency cost to establish the Castle Mountain Phase-1 ROM operation was set at US\$22.87 MM but that included US\$5.5 MM for a carbon reabsorption plant.
- **Costs Benchmarked To HL Peers:** We have benchmarked our operating unit costs to a number of recent open-pit heap leach operations (Figure 8) including Florida Canyon (in operation), Castle Mountain (2018 PFS), Camino Roja (2018 PEA) and have paid particular attention to the Phase-1 "starter mine" at Castle Mountain which is the most directly comparable ROM pit, modelled at 12,700 tpd. We have also dialed in higher than average unit costs to account for the limited economies of scale. We model US\$2.25/t for mining costs (per tonne of rock), US\$3.50/t for processing and US\$2.50/t for G&A.
- **Royalties:** While the current Osisko Royalties agreement is focused on La Fortuna, we believe the royalty company has a mandate to accumulate 4% NSR positions across its entire portfolio (e.g. ♦Barkerville) and we assume that outstanding capex at Santana is funded by a combination of NSR and debt. We discuss the potential timing of corporate level funding activities later in this report we include a 3% NSR in our Santana model.
- **Targeting 42 koz/yr at US\$821/oz AISC:** Based on a 8,000 tpd processing rate we expect Santana will produce 47 koz/yr at its peak, starting in 2020 and run for 4.5 years. We expect Minera will then evaluate the other epithermal targets at site as our model includes only the Nicho zones.
- **NPV5% of US\$38 MM and 94% IRR:** The short mine life and limited scale is offset by a rapid return of capital (1-year payback). We expect that Santana can deliver >US\$10 MM/yr in FCF to assist in funding La Fortuna and regional exploration as well as external M&A.
- **Permit In Q2/19:** Commercial scale operating permits were submitted in July 2018 and approval is expected in Q2/19.

♦ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and/or provided financial advice regarding the stock market insight and financial analysis regarding potential transactions for these companies

Figure 5 **Santana Location Map**



Source: Company Reports

Figure 6 **Test Mining/Leaching Complete**

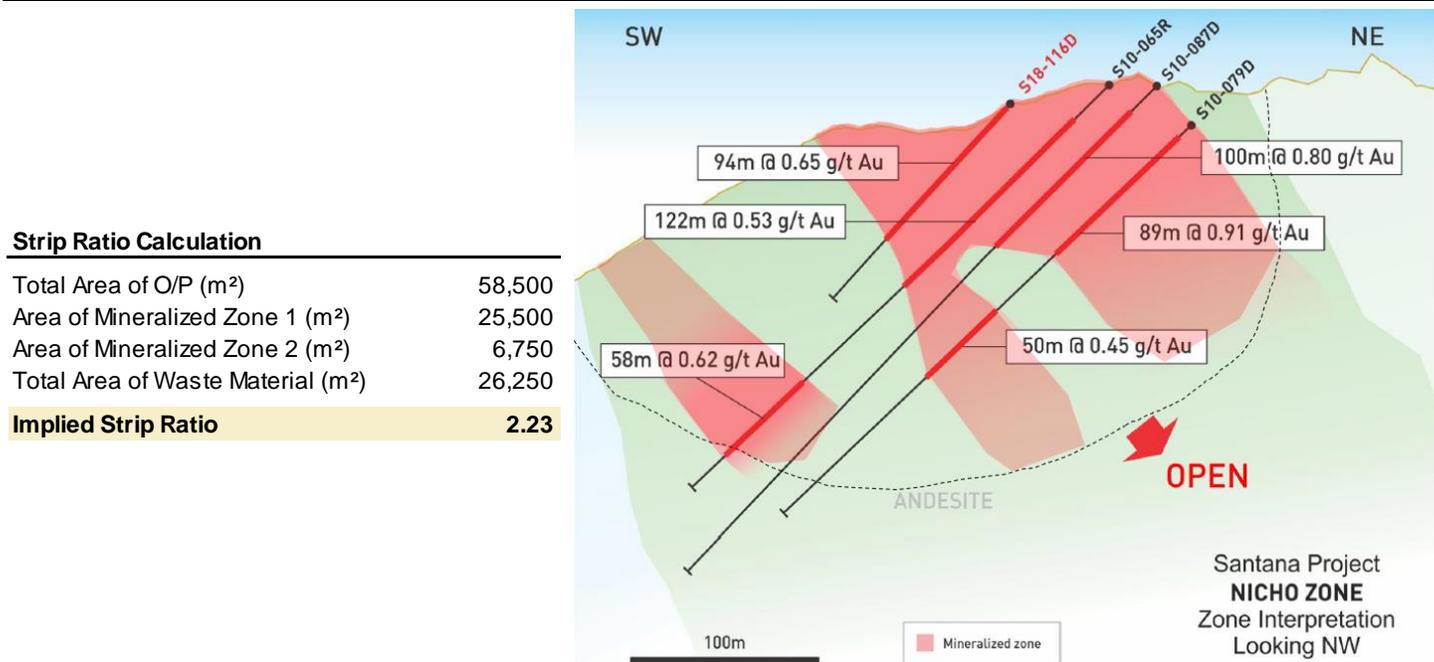


Test Mining Results

- ~50,000 t mined
- Recovered gold values +0.65 g/t
- Various crush sizes tested <1/2"-5/8" up to 3" resulting in consistent recoveries across test sizes
- Excellent percolation eliminating the need for agglomeration

Source: Company Reports

Figure 7 Low Projected Strip Ratio (2.23:1)



Source: Cormark Securities Inc., Company Reports

Figure 8 Cost Comparables

	♦Orla Mining	♦Victoria	♦Equinox	♦Alio	Average	Minera Alamos
Project	Camino Roja	Eagle Gold	Castle Mountain (Phase 1)	Florida Canyon		Santana
Source	PEA (2018)	DFS (2016)	PFS (2018)	PEA (2019)		CSI Estimates
Throughput (tpd)	18,000	33,700	12,500	23,929	25,826	8,000
Pre-Prod. Capex (US\$000's)	120	370	52	NA	222	13
Sustaining Capex (US\$000's)	15	183	NA	68	102	6
Capex/Tonne (US\$)	6,678	10,979	4,128		7,562	1,563
Mining Cost (US\$/t mined)	3.05	2.30	1.84	1.93	2.24	2.25
Processing Cost (US\$/t milled)	3.20	6.00	1.72	3.23	3.14	3.50
G&A Cost (US\$/t milled)	1.77	1.70	0.94	0.61	1.20	2.50
Total (US\$/t milled)	8.02	10.00	4.50	5.77	6.58	8.25

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Source: Cormark Securities Inc., Company Reports

Figure 9 Nicho Norte & Divisadero Satellite Targets Excluded From Model

Divisadero Zone (2018 Drilling Discovery)

- Gold-silver-copper discovery ~200m N of Nicho Norte
- 95.7 m @ 0.85 g/t Au, 9.8 g/t Ag and 0.33% Cu (1.47 g/t AuEQ)¹

Nicho Zone (Phase 2 Development)

- Mineralized from surface to depth of +150m
- Past drilling highlights include²:
 - 87.0m @ 1.04 g/t Au
 - 47.5m @ 0.80 g/t Au
- Current drilling highlights include²:
 - 93.5m @ 0.65 g/t Au
 - 80.4m @ 1.05 g/t Au

Nicho Norte Zone (Bulk Heap-Leach Test Mining Completed)

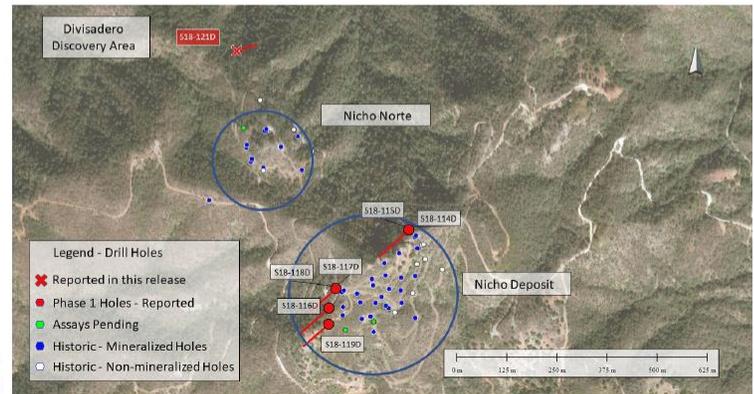
- Past drilling highlights include:
 - 93.0m @ 1.03 g/t Au
 - 74.7m @ 0.78 g/t Au

¹ October 25, 2018 news release

² October 10 & 17, 2018 news releases

Exploration Upside

- Multiple targets, known zones appear to be open along strike and to depth
- 2018 surface work resulted in the discovery of the Zata breccia pipe, a new Nicho-style breccia structure located ~4 km SE of Nicho



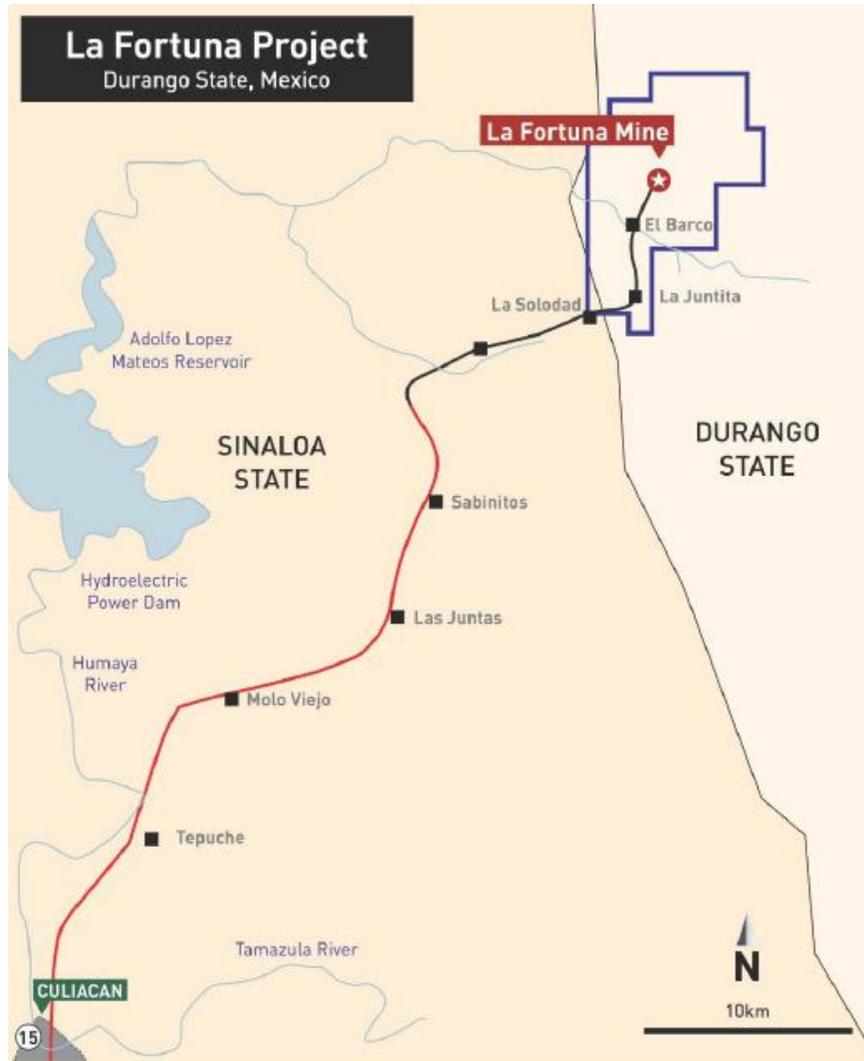
Source: Company Reports

Asset 2 (La Fortuna) Robust PEA

- **Recent PEA:** La Fortuna is the most advanced asset in the stable and we rely on the 2018 PEA completed by CSA Global. Minera Management has a lengthy history with the asset having reacquired it back from Argonaut in 2016 (recall that Argonaut in turn acquired the asset from Castle Gold which was founded by the Minera team). The PEA outlined a 1,100 tpd starter operation to produce 50 Koz AuEq/yr (43 koz Au, 0.22 MMoz Ag and 1 Kt Cu) at US\$440/oz from a high-grade starter pit (3.68 g/t).
- **Geology:** The mineralization occurs as wide zones of breccia (quartz-tourmaline) within a late phase porphyry intrusion. Gold and silver occur as grains on boundaries of chalcopyrite and pyrite (i.e. free milling). The deposit is classified as intrusion-related but transitional between porphyry and epithermal styles of mineralization which explains the Cu content (6.5% of revenue is Cu).
- **IRR of 93%:** At the study base case metal pricing (\$1,250/oz Au and \$16/oz Ag), the project has highly impressive post-tax economics including a 93% IRR, US\$77.5 MM NPV5% and 0.9-year payback.
- **Existing Mill:** In addition to the strong grade (3.68 g/t Au) and low effective strip ratio (5.5:1 when accounting for ore sorting) the economics are further supported by the fact that Minera already owns a 2,000 tpd milling and flotation circuit. This is slightly oversized for the PEA mine plan (1,100 tpd) but adds an element of conservatism and allows for future expansion. As a result of the existing mill ownership (the prior owner was a distressed seller after illegally using flow-through funds to buy the mill), use of a contract miner, as well as the small initial scale of the operation, pre-production capex is estimated at just US\$26.9M.

- **Processing:** The PEA flow sheet is based on metallurgical test work completed by Castle Gold and updated by Minera ahead of the CSA study. The proposed flow sheet includes a milling circuit (P80 250-300 μm) followed by 45% recovery of the coarse gold fraction (gravity testing showed up to 80% of gold could be recovered depending on where cyclones are integrated into the system). The mineralization is very amenable to flotation (8-10% mass pull) and the bulk concentrate is reground to 80 microns prior to final flotation to produce a saleable Cu concentrate. Total recoveries are estimated at 90% Au, 85% Ag and 90% Cu. The concentrate will be shipped to the Port of Guaymas (500 km away) for sale.
- **Resource Expansion Potential:** The 100% owned La Fortuna project totals 62 km² and covers a number of related breccia systems proximal to La Fortuna including Ramada, PN, and a southern extension of La Fortuna. Most of these targets show surface mineralization but have not been subject to systematic drill definition.
- **Low Grade Processing:** The PEA separates the resource into 2 buckets for processing; High Grade (>1.6 g/t Au) is sent directly to the mill and Low to Medium Grade (0.8-1.6 g/t Au) is stockpiled for upgrading via ore sorting. The PEA mine plan envisions the upgraded ore reaching the plant in Year 3 of the 5-year mine life. We expect that should the mine plan be upsized to match the mill's capacity, Minera could lower the cut-off grade and smooth out the production profile somewhat.
- **Royalties:** We model the proposed 4% NSR (to Osisko Royalties) and the existing 2.5% NSR held by Argonaut.
- **Permit In H1/19:** Technical approval of Minera's federal permit submission occurred in November 2018 and puts the project on track for a construction decision in the second half of this year.

Figure 10 **La Fortuna Location Map**



Source: Company Reports

Figure 11 **La Fortuna PEA Mine Plan**

Year	Total Mill Feed (kt)	Au Grade (g/t)	Ag Grade (g/t)	Cu Grade (%)	Gold Contained (koz)	Total Mined Material (kt)
1	380.0	3.86	21.24	0.29	47.2	2,814.4
2	380.0	3.91	20.27	0.27	47.8	2,848.2
3	410.0	3.39	21.85	0.28	44.7	2,335.7
4	410.0	3.47	19.98	0.29	45.8	4,637.2
5	418.4	3.78	16.79	0.22	50.9	3,095.7
	1,998.4	3.68	19.96	0.27	236.6	15,731.2

Source: Company Reports

Figure 12 La Fortuna Model Assumptions – Twinning The PEA

		CSI	La Fortuna (PEA)
Mine Plan Inventory			
Mine Plan Ore	Kt	2,867	2,867
Mine Plan Gold Grade	g/t Au	3.68	3.68
Mine Plan Silver Grade	g/t Ag	15.80	19.99
Mine Plan Copper Grade	% Cu	0.22	0.27
Production Scale			
Ore Throughput	tpd	1,100	1,100
Mine Life	years	5	5
Au Recovery Rate	%	90%	90%
Ag Recovery Rate	%	85%	85%
Cu Recovery Rate	%	90%	90%
Avg. Annual Au Produced	Koz	43	43
Avg. Annual Ag Produced	Koz	218	220
Avg. Annual Cu Produced	Klbs	2,137	2,205
Avg. Annual AuEq Produced	Koz	45	46
Capex			
Pre-Production Capex	US\$000's	\$26,900	\$26,900
LOM Sustaining Capex	US\$000's	\$11,100	\$7,100
Opex			
Mining Cost	US\$/t mined	2.15	2.15
Milling Cost	US\$/t processed	22.89	22.89
Ore Sorting Cost	US\$/t processed	4.00	4.00
G&A Cost	US\$/t processed	5.54	5.54
Cash Costs (AuEq)	US\$/oz	\$377	N/A
AISC Cost (AuEq)	US\$/oz	\$410	\$440
After Tax & Royalties			
NPV (5% Discount)	US\$MM	\$77	\$77
IRR	%	92%	93%
Silver Price	US\$/oz	\$15	\$16
Gold Price	US\$/oz	\$1,250	\$1,250
Copper Price	US\$/lbs	\$3.00	\$2.60
C\$/US\$ FX Rate		1.33	1.32

Source: Cormark Securities Inc., Company Reports

Figure 13 La Fortuna 3D View of Block Model & Pit Shell

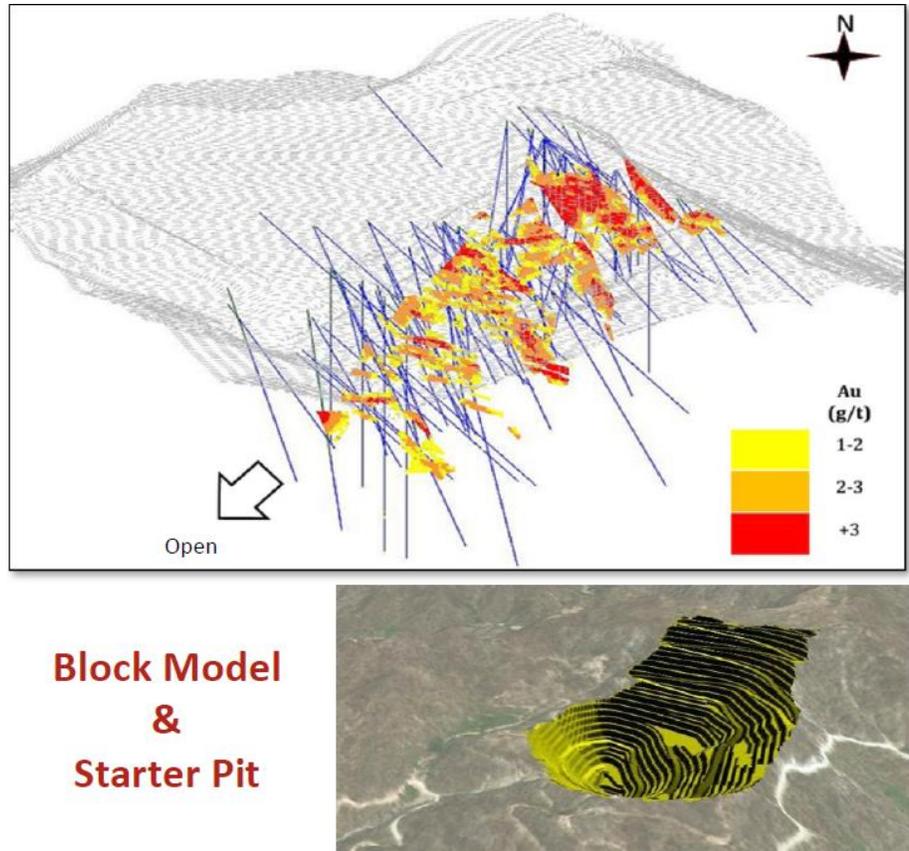
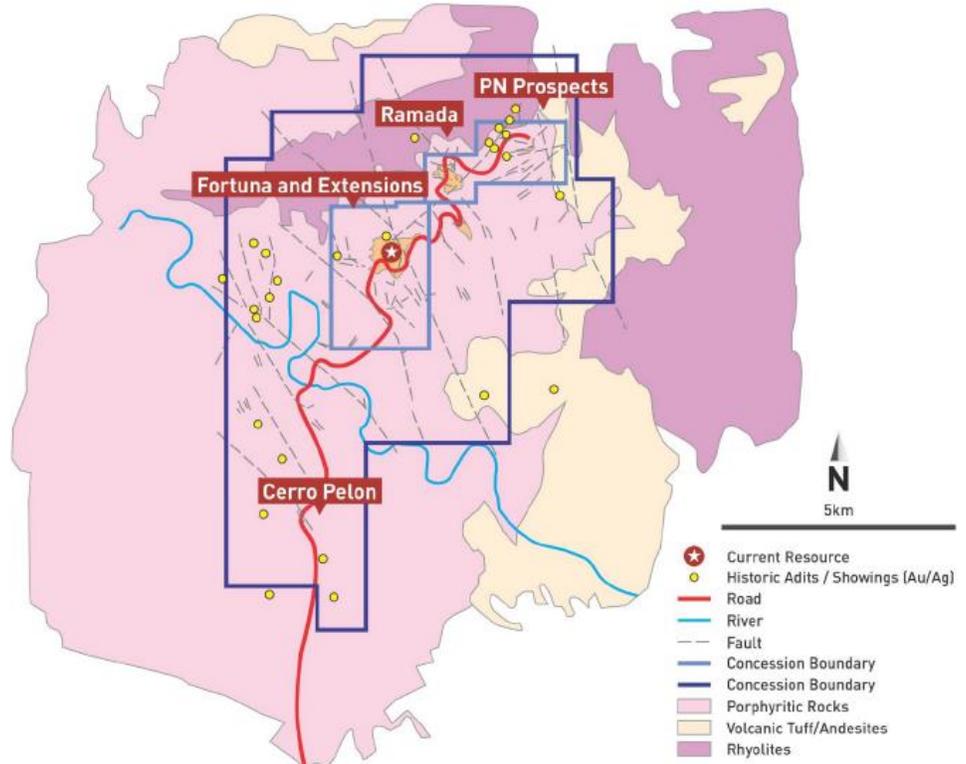


Figure 14 La Fortuna Regional Breccia Vein Targets



Asset 3 (GDR) In-Situ Model

- The final asset to cover is the Guadalupe de los Reyes Project in Sinaloa, which is being optioned (up to 100%) from Vista Gold/
- On the ground activity at GDR has been stalled since 2013 but the deposit hosts an existing, compliant resource of 535 koz at 1.6 g/t Au (in all categories). Minera is preparing updated engineering work to evaluate the potential for a heap leach approach as prior work was focused on a conventional milling circuit design. The company filed an updated technical report in 2018.
- A pit shell optimization was run in the 2018 technical report and at a cut-off grade of 0.5 g/t AuEq (\$1,200/oz Au and \$15/oz Ag), a conceptual indicated inventory of 308 koz AuEq was defined at a grade of 2.1 g/t AgEq (1.7 g/t Au and 28 g/t Ag) and a strip ratio of 8.2:1. That combination would be appealing if heap leaching is a realistic scenario (no column tests are currently available).
- As with the prior two assets, GDR is not resource constrained and will gain added exploration attention once Minera has reached cash flow status. GDR is a near surface, low-sulphidation epithermal system and 4 veins/zones have been included in the resource while at least 8 targets areas have been mapped (Figure 16). Over 600 koz have been produced from small-scale historical operations.
- Given the lack of clarity on the heap leach mine plan for now (Au recovery of 93% was estimated using conventional CIL flow sheet) we have started by valuing GDR on an in-situ basis (US\$20/oz) which is below the US\$22/oz average paid for comparable assets (small mill or heap leach in Latin America) since 2016 (Figure 17).

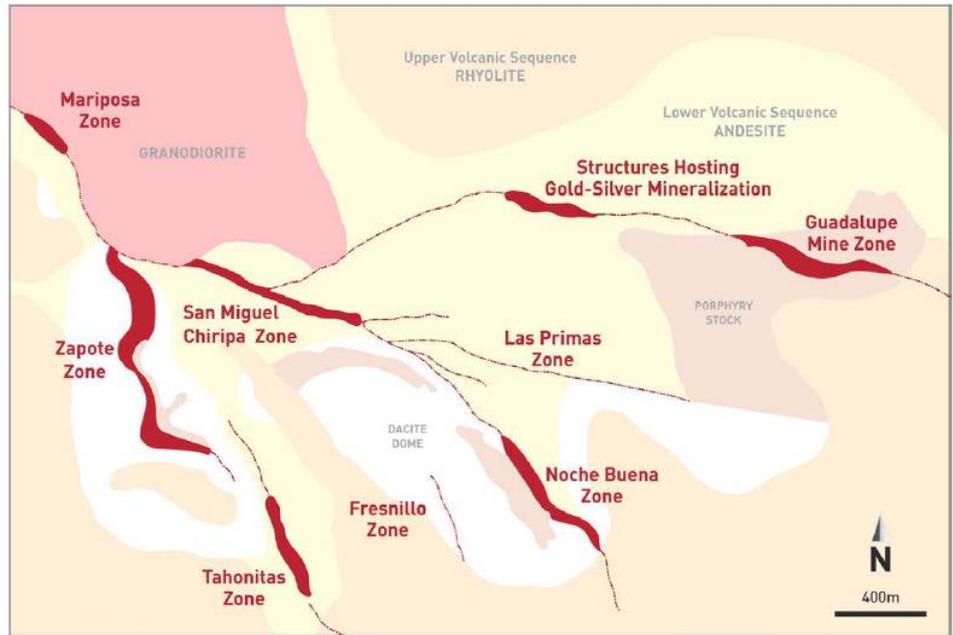
Figure 15 GDR Resource at 0.50 g/t Cut-Off (2018 Technical Report, 2013 Effective Date)

Project	Tonnes (kt)	Au Grade (g/t)	Ag Grade (g/t)	AuEq Grade (g/t)	Contained Au Koz	Contained Ag Koz	Contained AuEq Koz
Indicated Resources							
El Zapote	3,980	1.61	16.52	1.61	206	35	206
Noche Buena	937	1.32	16.52	1.52	40	497	46
San Miguel - Chiripa	459	3.19	77.37	4.12	47	1,142	61
Guadalupe	1,520	1.76	52.51	2.40	86	2,602	118
Total Indicated	6,843	1.73	28.71	2.07	380	6,315	456
Inferred Resources							
El Zapote	1,127	1.25	11.82	1.38	45	429	50
Noche Buena	480	1.13	17.8	1.34	17	275	21
San Miguel - Chiripa	583	2.21	64.75	2.99	42	1,215	56
Guadalupe	1,054	1.52	50.75	2.13	52	1,721	72
Total Inferred	3,200	1.49	34.87	1.93	155	3,639	199
Total	10,043	1.66	30.83	2.03	535	9,954	655

Source: Company Reports

Figure 16 10-km Vein System Mapped On Surface

- Significant regional gold system with estimated historical production of 500 -600 Koz Au and +40 Moz Ag
- Project area includes at least 8 target areas identified along 3 major structural zones (+10 km identified at surface)
- 4 zones with drilled resources: Zapote, Guadalupe, Noche Buena and San Miguel
- Near surface low-sulfidation epithermal systems with gold and silver occurrences



Source: Company Reports

Figure 17 Comparable Asset Sales

Date	Annon.	Target	Location	Stage	Acquiror	Trans. Value (US\$MM)	Bid Premium to			Resources (Koz)			EV / Resources			Target P/NAV
							T-1	VWAP	20-Day VWAP	P+P	M+I	Total	P+P	M+I	Total	
14-Nov-17	Primero	(Cerro del Gallo)	Mexico	Feas.	♦Argonaut	\$15	-	-	-	934	1,221	2,155	\$16	\$12	\$7	0.84x
5-Sep-17	GoGold	(Santa Gertrudis)	Mexico	PEA	Agnico Eagle Mines	\$80	-	-	-	-	810	1,064	-	\$99	\$75	n/a
21-Jun-17	Goldcorp	(Camino Rojo)	Mexico	PEA	♦Orla Mining	\$27	-	-	-	1,700	3,950	4,097	\$16	\$7	\$6	1.18x
18-May-17	Crusader Resources Ltd.		Brazil	PFS	Stratex International	\$40	57%	65%	68%	1,609	1,927	2,696	\$19	\$16	\$11	n/a
25-Apr-17	Patagonia Gold	(COSE)	Argentina	Pre-Prod.	Pan American Silver	\$15	-	-	-	-	899	1,176	-	\$17	\$13	n/a
12-Apr-17	Bellhaven Copper & Gold Inc.		Columbia	PEA	GoldMining Inc.	\$10	32%	21%	46%	-	667	926	-	\$15	\$11	n/a
1-Feb-17	Luna Gold Corp.		Brazil	PFS	JDL Gold Corp.	\$73	23%	25%	16%	971	2,570	3,047	\$87	\$33	\$28	0.24x
11-Jan-17	Goldcorp	(Cerro Blanco)	Guatemala	Feas.	♦Bluestone Res.	\$46	-	-	-	-	840	1,070	-	\$55	\$43	n/a
11-May-16	Timmins Gold	(Caballo Blanco)	Mexico	PEA	Candelaria Mining	\$18	-	-	-	-	576	993	-	\$30	\$18	0.22x
16-Feb-16	Magellan Minerals Ltd.		Brazil	PEA	Anfield Gold Corp.	\$9	21%	25%	37%	-	552	912	-	\$17	\$10	n/a
Average												\$22				

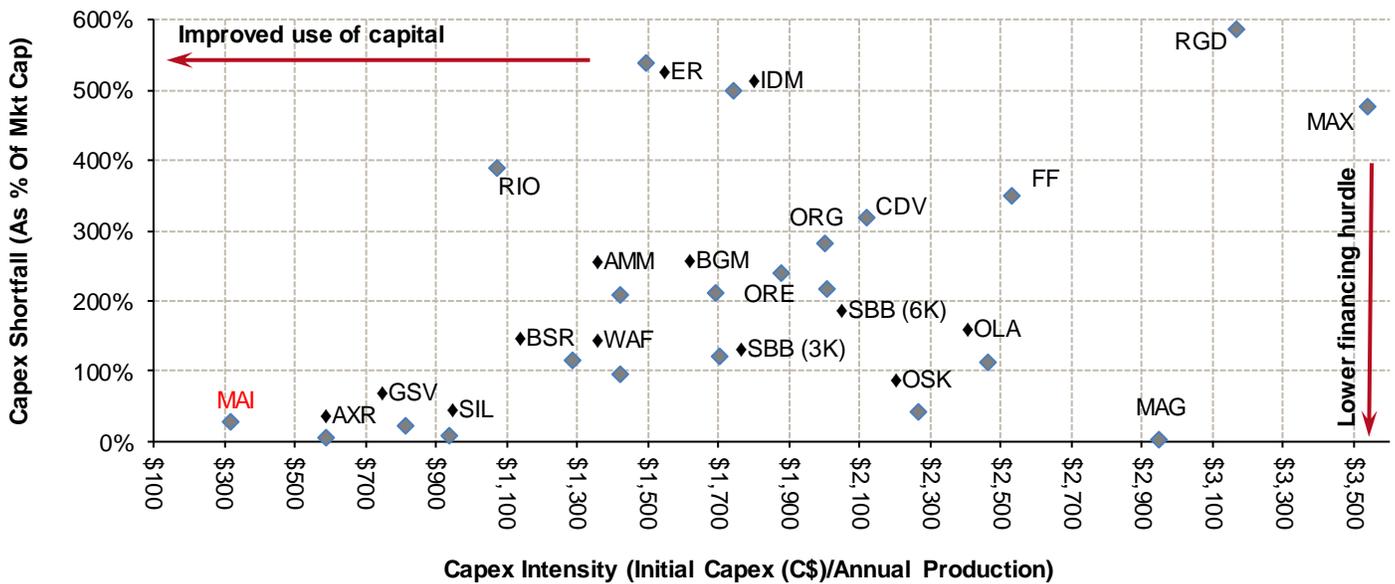
- During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and/or provided financial advice regarding the stock market insight and financial analysis regarding potential transactions for these companies

Source: Company Reports

Low Funding Inertia

- Strong grades, favourable location and a low-cost heap leach approach to the first mine ensures Minera screens well on our buildability chart (Figure 18).
- Based on our cash flow analysis we expect that Minera can fund production at the first two assets with a combination of cash flow, royalty sale to Osisko Royalties, US\$10 MM in debt and US\$5 MM in equity (in addition to numerous warrants). Obviously, the debt/equity ratio may differ from our assumptions, but we expect some type of debt facility with the royalty owner would make up the bulk of the funding given the low equity valuation and rapid payback potential.
- By 2021, we estimate the cash balance should start to grow (>US\$40 MM) and can then be used to fund ongoing growth through exploration and development of GDR, re-investment into Santana/La Fortuna and external acquisitions.
- While the exact growth path is likely to differ from our starting assumptions, it is notable that unlike many peer small caps, Minera has the ability to move forward without relying primarily on outside equity capital.

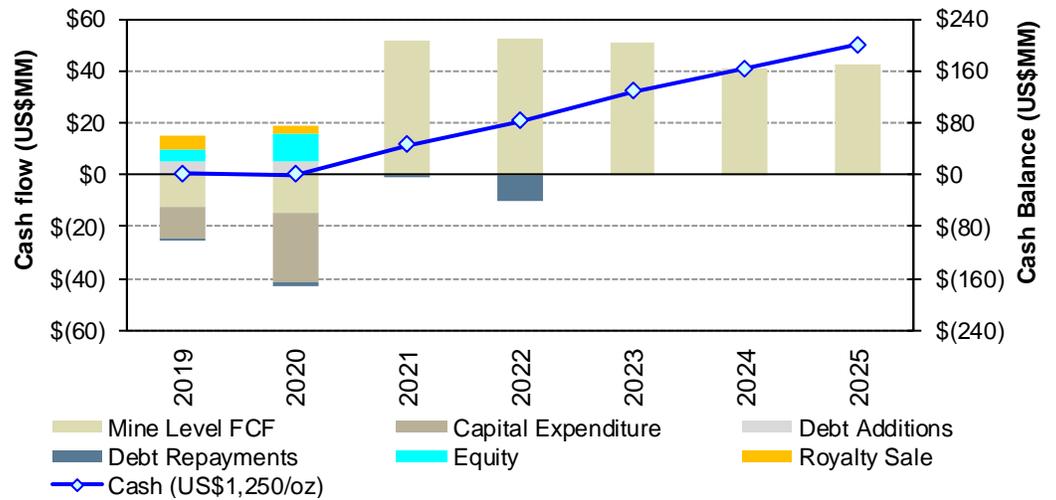
Figure 18 Top Ranked On Cormark “Buildability” Chart



Source: Cormark Securities Inc., Company Reports

Figure 19

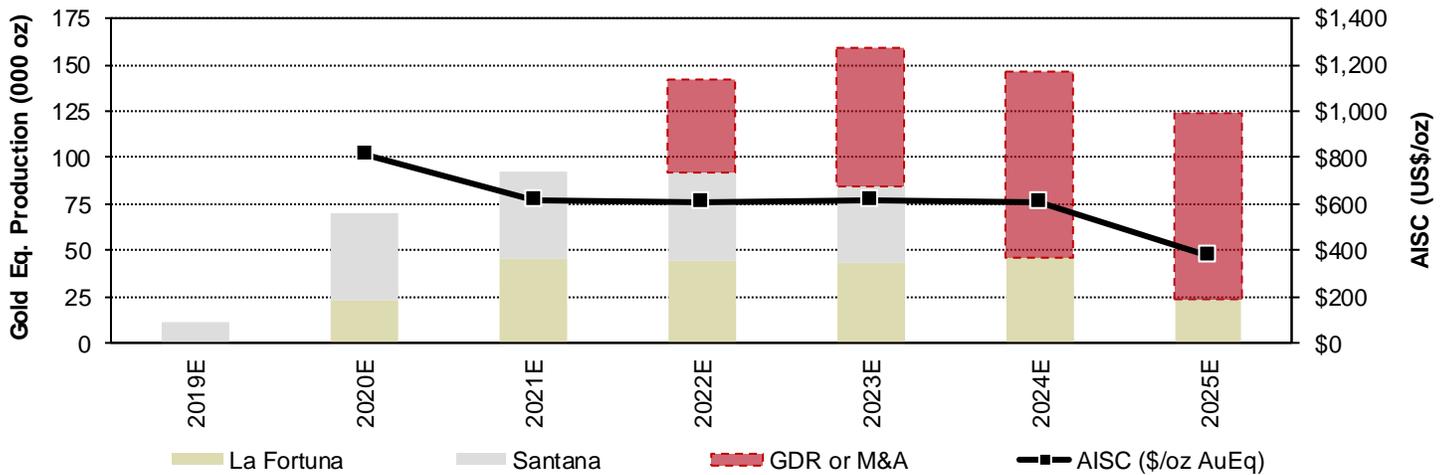
Cormark Cash Flow For Minera As Modelled



Source: Cormark Securities Inc.

Figure 20

Conceptual Production Model



Note – AISC based on existing asset base only
Source: Cormark Securities Inc.

Figure 21 **Cormark Cash Flow Model For Minera**

(US\$000s)	Present	2019	2020	2021	2022	2023	2024	2025
Mine Level Free Cash Flow (La Fortuna)		-	(26,900)	39,479	39,697	38,079	35,679	42,397
Mine Level Free Cash Flow (Santana)		(12,500)	12,296	12,462	12,695	13,090	5,310	-
Total Mine Level Free Cash Flow		(12,500)	(14,604)	51,940	52,392	51,169	40,989	42,397
Capital Expenditures (La Fortuna)		-	(26,900)	-	-	-	-	-
Capital Expenditures (Santana)		(12,500)	-	-	-	-	-	-
Total Capital Expenditure		(12,500)	(26,900)	-	-	-	-	-
Proceeds from Fortuna Royalty Sale		5,264	-	-	-	-	-	-
Proceeds from Santana Royalty Sale		-	3,008	-	-	-	-	-
Total Proceeds from Royalty Sales		5,264	3,008	-	-	-	-	-
Debt Additions		5,000	5,000	-	-	-	-	-
Principal Repayment		-	-	-	(10,000)	-	-	-
Balance Remaining		5,000	10,000	10,000	-	-	-	-
Interest (LIBOR + 8.5%) - 11.29%		(564)	(1,129)	(1,129)	-	-	-	-
Debt Repayments		(564)	(1,129)	(1,129)	(10,000)	-	-	-
Equity		5,000	-	-	-	-	-	-
Proceeds from (ITM) Warrants		-	10,794	-	-	-	-	-
Exploration		(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Corporate G&A		(2,500)	(2,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)
Starting Cash Balance		3,910	1,610	179	45,491	82,383	128,052	163,541
Ending Cash Balance	3,910	1,610	179	45,491	82,383	128,052	163,541	200,438
<i>Change in Cash Balance</i>		<i>(2,300)</i>	<i>(1,431)</i>	<i>45,312</i>	<i>36,892</i>	<i>45,669</i>	<i>35,489</i>	<i>36,897</i>

Source: Company Reports

Valuation Approach

- **DCF Used For Santana And La Fortuna:** We use a DCF analysis at \$1,250/oz Au and \$15/oz Ag to value the near-permitted assets. La Fortuna (NPV5% of C\$102.6 MM) carries the bulk of our NAV (C\$0.20/sh) and this fact de-risks our estimates as it is also the most advanced asset and the only one with an externally compliant PEA. Santana carries just C\$0.10/sh (C\$50.2 MM) of our NAV but is important in de-risking the thesis and is a source of early cash to redeploy to build La Fortuna.
- **In-Situ Value For GDR:** We apply US\$20/oz to the GDR resource (655 Koz AuEq) which is below where small LatAm peers have changed hands in recent years.
- **No Exploration Value:** We apply no value to the likely near-mine resource expansion at all three assets, supporting our view that the stock can trade higher by simply advancing to producer status.
- **Fully Funded/Diluted Model:** Our models for Santana and La Fortuna include the revenue drag from royalty sales to Osisko (4% at La Fortuna for C\$7 MM and 3% at Santana for C\$4 MM) as well as dilution from a future C\$6.6 MM (US\$5 MM) equity raise at C\$0.11/sh. We include the expected proceeds (C\$14.4 MM) and dilution (100.8 MM shares) from warrants that are ITM at our target price (average strike of C\$0.14).
- **Minera trades at 0.27x our funded and diluted NAV** and we expect it can transition to 0.5-0.6x once reaching its growth targets and longer-term at 0.65x which is at the low end of historical junior producer valuations.

Figure 22

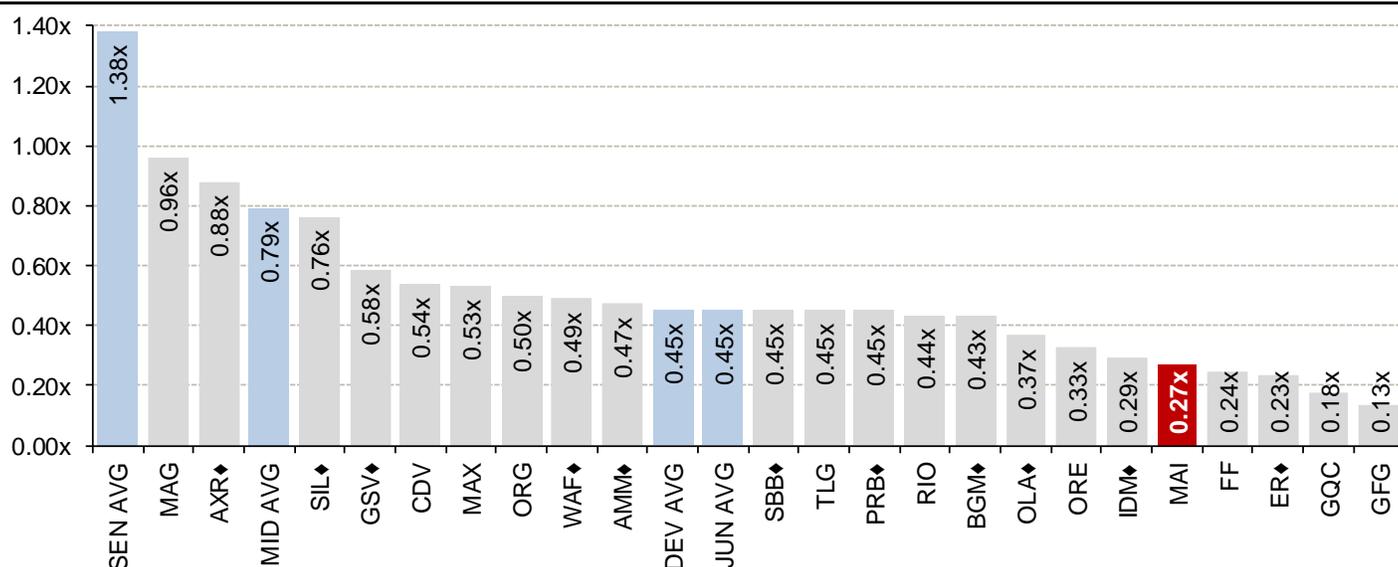
Minera Alamos Valuation Table At \$1,250/oz Au and \$15/oz Ag

	C\$MM	C\$/Share
Assets		
La Fortuna NPV5%	102.6	0.20
Santana (Nicho Zone) NPV5%	50.2	0.10
Guadalupe De Los Reyes (655Koz at US\$20/oz)	17.4	0.03
Corporate Adjustments		
Current Cash	5.2	0.01
Cash from Royalty Sale (La Fortuna)	7.0	0.01
Cash from Royalty Sale (Santana)	4.0	0.01
Proceeds from Future Equity Financing	6.6	0.01
Cash from Warrants/Options ITM at Target	14.4	0.03
Debt	0.0	0.00
Total	C\$207.4	C\$0.40
Basic Shares Outstanding (Current)		350.9
ITM Options and Warrants Outstanding		100.82
New Shares to Fund Capex @ C\$0.11/sh		60.44
Fully Financed & Diluted Shares Outstanding		512.2
Current Minera Alamos Price		C\$0.11
Price/NAV		0.27x

Source: Company Reports

Figure 23

Developer P/NAV Comparison (at \$1,250/oz gold)



♦ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and/or provided financial advice regarding the stock market insight and financial analysis regarding potential transactions for these companies

Source: Company Reports

Catalysts Timeline

- *Commercial Scale Permit For Santana (Q2/19)*
- *Royalty Funding Deal (2019)*
- *Production at Santana (Q1/20)*

Buy (S), C\$0.25 Target

- We launch coverage with a Buy (S) rating and expect to remove that (S) qualifier once Santana is producing.
- At a 0.65x P/NAV multiple our target is C\$0.25 share.
- Minera offers a unique approach to the current weak market backdrop and is backed by a proven operating team. Once surmounting the low production hurdles, the real upside will come from plowing the cash back into the abundance of brownfields targets to extend the mine life and/or fund external growth.

Appendix A: Management & Directors

Darren Koningen,
CEO & Director

Mr. Koningen is an experienced metallurgist and mine builder with over 25 years of international mining experience. Mr. Koningen was a founding member and VP of Mine Development of Castle Gold Corp. and was integral in the development and commissioning of the El Castillo heap leach gold mine in Mexico. Prior to joining Castle Gold, Mr. Koningen was President and CEO of NWM Mining Corp. after being asked by lenders to restructure the company in 2012. He led a new Management team to fix operational issues, prepare a new production plan for a ramp-up to >60,000 oz/yr, and complete a resource expansion. NWM quickly became cash flow positive and the project was ultimately sold in 2015. Mr. Koningen holds a Bachelor of Applied Science in Mineral Process Engineering from Queens University.

Doug Ramshaw,
President & Director

Mr. Ramshaw is a senior executive and corporate director with over 20 years of experience in the mineral resource sector. His work has focused on mineral project evaluation, M&A and business development strategies supporting corporate growth. Previously, he worked as a mining analyst for an independent brokerage firm in London, U.K. and has served in various executive capacities for several publicly listed junior resource companies. Mr. Ramshaw holds a Bachelor of Science in Mining Geology from the Royal School of Mines.

Chris Chadder,
CFO

Mr. Chadder has over 20 years of financial management experience and has served in senior roles with various mining companies in all stages of the mining cycle. Mr. Chadder holds a Bachelor of Business Administration from Brock University and is a member of the Canadian Institute of Chartered Accountants.

Federico Alvarez,
VP, Project Development

Mr. Alvarez is a mining engineer with 35 years of experience within academia, government and the mining industry, primarily in Mexico. He joined Minera Alamos in 2011 and oversees all operations and mine planning. Previously, Mr. Alvarez was VP of Operations for Argonaut Gold Inc., and its predecessor Castle Gold Corp., where he supervised production at the El Castillo gold mine in Durango, Mexico, and worked with the company's JV partner on the El Sastre gold mine in Guatemala. Mr. Alvarez holds a Bachelor of Mine Engineering from Guanajuato University and a Master's degree in Mining Engineering from McGill University.

Miguel Cardona,
VP, Exploration

Mr. Cardona is a geological engineer with over 20 years of experience in mineral exploration and underground and open-pit mining operations. He has worked with numerous ore types including gold skarn, epithermal gold and silver and copper-zinc-gold deposits. Mr. Cardona managed all exploration activities for Castle Gold, leading a three-fold increase in El Castillo's gold resources from 400k oz to 1.2M oz prior to its acquisition in 2009. He also worked for Teck-Cominco and was part of the team that discovered the Los Filos and El Limon gold deposits in Mexico. Mr. Cardona holds a Bachelor of Geological Engineering and a Master's degree in Planning and Systems from the San Luis Potosi University.

Chester Millar,
Director

Mr. Millar began his career in the 1960s when he discovered and developed the highly successful Afton Mines Ltd. open-pit copper-gold mine near Kamloops, British Columbia. He served as Chairman of Glamis Gold Ltd. from 1985 to 1998 and as Chairman of Eldorado Gold from 1992 to 1994, steering both companies into substantial gold producers with global operations. He co-founded Alamos Gold and guided its acquisition of the Mulatos gold project in Mexico. Mr. Millar was also Chairman of Castle Gold Corp. from 2004 to 2008, and Chairman of Pediment Gold Corp. from 2008 to 2011. Mr. Miller was inducted into the Canadian Mining Hall of Fame in 2008. He is a Professional Engineer and holds a degree in Geological Engineering from University of British Columbia.

Ruben Padilla,
Director

Mr. Padilla has over 25 years of diverse mining and exploration experience in precious and base metals. He is currently Chief Geologist with Talisker Exploration Services Inc., an Ontario-based mining and exploration services company co-founded by Mr. Padilla, whose principal clients are Osisko Gold Royalties Ltd. and their associated companies. Mr. Padilla holds a geological engineering degree from the University of Chihuahua, Mexico, and Master's and PhD degrees from the University of Arizona.

Bruce Durham,
Director

Mr. Durham has been involved in the mining and exploration industry for over 40 years and is currently the President and CEO of Nevada Zinc Corporation. He was an integral member and leader of various exploration teams credited with the discovery of several significant deposits including the David Bell and Golden Giant gold mines in Hemlo, Ontario and the Redstone Nickel and Bell Creek gold mines in Timmins, Ontario. More recently, Mr. Durham served as President and CEO of Canadian Royalties when that company discovered several Ni-Cu-PGE deposits in Raglan area of Quebec, which are currently at the feasibility stage. Mr. Durham holds a Bachelor of Science degree in Geology from Western University.

Appendix B: Risks To Target

The following is a list of the most common risks that apply to the stocks mentioned in this report. Generally, these risks apply to all companies in varying degrees.

Commodity Price Risk: Our short- and long-term commodity price assumptions are made based on detailed research, and viewed to be reasonable based on current information. However, the timing and magnitude of commodity price fluctuations are always a significant risk that, in most cases, strongly affects the value of mining and mineral exploration/development companies focused on a specific commodity. The primary metal exposure of the companies in this report is to gold and silver; however, some may have exposure to metal products such as copper, zinc, and nickel, and the prices of these metals may affect their valuation.

Cost Risk: Both capital and operating costs may be affected by changes in input prices (fuel, steel, chemicals, etc.) and by relative currency changes. Companies may be at risk of unexpected cost escalation as a result of these potential threats.

Financing Risk: Companies with large growth plans or exploration companies with no free cash flow may require external capital to continue with exploration programs and develop new mines. In order to finance these endeavors, equity or project dilution may be taken in order to fund the equity portion of the capital costs if the project is to be developed. Shareholders may also be subordinated by lenders in order to finance an exploration project.

Geopolitical Risk: This risk deals with policies such as permitting and tax laws that are managed by governments of a jurisdiction (country, state, province, etc.). These policies usually affect mining companies more than exploration companies. Generally, developing countries are seen as being more risky because of the potential of a quick change in power to drastically change policies. Developed countries have their geopolitical risk issues, and jurisdictions and powerful environmental lobbies can also make mining or exploration difficult.

Technical Risk: Ore reserve and resource risk is a technical risk that is derived from the subjective nature of geological interpretation. Engineering-based forecasts are by nature imprecise, and unexpected risks include events such as earthquakes and strikes. Such events could materially affect the value of shares.

Regulatory Risk: The mining industry is highly regulated, and as such, changes in the scope of environmental practices can have a significant impact on the cost and viability of mining operations.

Exploration Risk: In some cases, the market may build in expectations for exploration success before the actual exploration work has taken place. In the event that results do not meet the market's expectation, the company's shares may be negatively affected.

Recommendation Terminology

Cormark's recommendation terminology is as follows:

Top Pick	our best investment ideas, the greatest potential value appreciation
Buy	expected to outperform its peer group
Market Perform	expected to perform with its peer group
Reduce	expected to underperform its peer group

Our ratings may be followed by "(S)" which denotes that the investment is *speculative* and has a higher degree of risk associated with it.

Additionally, our target prices are based on a 12-month investment horizon.

Disclosure Statements and Dissemination Policies

A full list of our disclosure statements as well as our research dissemination policies and procedures can be found on our web-site at:

Analyst Certification

We, Tyron Breytenbach and Cameron Magee, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company(ies) and its (their) securities. We also certify that we have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Figure 24 Argonaut Gold Inc. - Disclosure Chart

Argonaut Gold Inc.

Updated March 25, 2019

Price Chart and Disclosure Statement

*Information updated monthly on or about the 5th of each month.



*Over the past 24 months, the following percentage of issuers whose securities received a "Top Pick" or "Buy", a "Market Perform", or a "Reduce" rating from Cormark Securities Inc., have engaged Cormark to provide investment-banking services during this period.

<i>Buy or Top Pick</i>	65%	<i>Buy or Top Pick</i>	42%
<i>Market Perform</i>	11%	<i>Market Perform</i>	29%
<i>Reduce</i>	3%	<i>Reduce</i>	70%
<i>Not Rated</i>	21%		

Recommendation / Target Chg	Date	C\$
	07-Jan-19	3.80 (B)
	20-Jul-18	4.15 (B)
	23-Apr-18	4.50 (B)
	18-Jan-18	5.50 (B)
	09-Nov-17	5.25 (B)
	11-Aug-17	4.75 (B)
	19-Apr-17	5.00 (B)
	16-Mar-17	4.70 (B)
	13-Jan-17	4.50 (B)
	13-Dec-16	5.00 (B)

During the last 12 months, has Cormark provided financial advice to and/or, either on its own Yes No or as a syndicate member, participated in a public offering, or private placement of securities of the subject issuer?

During the last 12 months, has the analyst of this company received compensation from a pool that included investment banking revenues from the subject issuer earned by Cormark? Yes No

During the last 12 months, has Cormark received compensation for having provided investment banking services to the subject issuer? Yes No

Does Cormark expect to receive compensation for investment banking services from the subject issuer in the next three months? Yes No

Does the analyst or any individual responsible for the preparation of this research, or a member of that person's household, have a financial interest in the debt or equity securities of the subject issuer? Yes No

If YES

1) Is it a long and/or short position?

2) What type of security is it?

Does Cormark beneficially own 1% or more of any class of the subject issuer's equity securities? Yes No

Has the analyst viewed the material operations of the subject issuer? Yes No

Does the analyst or Cormark have any other material conflict of interest with the subject issuer? Yes No

If YES

During the last 12 months, has any partner, director or officer of Cormark or any analyst involved in the preparation of this report provided services to the subject issuer for compensation or other remuneration? Yes No

If YES, name of person(s) who provided services:

Does Cormark have any employee or agent who serves as an officer, director or employee, or who serves in any advisory capacity to the subject issuer? Yes No

If YES, name of person(s) who provided services:

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Source: Cormark Securities Inc.



Figure 25 Equinox Gold Corp. - Disclosure Chart

Equinox Gold Corp.

Updated March 25, 2019

Price Chart and Disclosure Statement

*Information updated monthly on or about the 5th of each month.



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<i>Reduce</i>	3%	<i>Reduce</i>	70%
<i>Not Rated</i>	21%		

Recommendation / Target Chg	Date	C\$
	15-Oct-18	1.75 (B)
	20-Jul-18	1.90 (B)
	18-Jul-18	1.95 (B)
	23-Apr-18	1.85 (B)
	02-Jan-18	2.00 (B)

During the last 12 months, has Cormark provided financial advice to and/or, either on its own Yes No or as a syndicate member, participated in a public offering, or private placement of securities of the subject issuer?

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Does Cormark expect to receive compensation for investment banking services from the subject issuer in the next three months? Yes No

Does the analyst or any individual responsible for the preparation of this research, or a member of that person's household, have a financial interest in the debt or equity securities of the subject issuer? Yes No

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2) What type of security is it?

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Has the analyst viewed the material operations of the subject issuer? Yes No

Does the analyst or Cormark have any other material conflict of interest with the subject issuer? Yes No

If YES

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Source: Cormark Securities Inc.



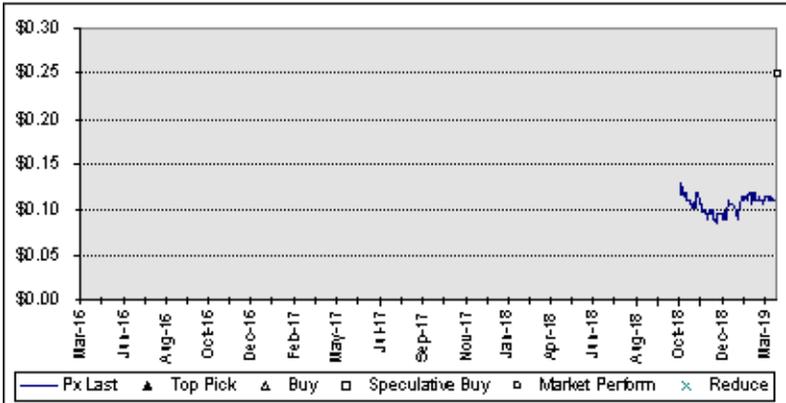
Figure 26 Minera Alamos Inc. - Disclosure Chart

Minera Alamos Inc.

Updated March 25, 2019

Price Chart and Disclosure Statement

*Information updated monthly on or about the 5th of each month.



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<i>Reduce</i>	3%	<i>Reduce</i>	70%
<i>Not Rated</i>	21%		

Recommendation / Target Chg	Date	C\$
	26-Mar-19	0.25 (B-S)

During the last 12 months, has Cormark provided financial advice to and/or, either on its own Yes No or as a syndicate member, participated in a public offering, or private placement of securities of the subject issuer?

During the last 12 months, has the analyst of this company received compensation from a pool that included investment banking revenues from the subject issuer earned by Cormark? Yes No

During the last 12 months, has Cormark received compensation for having provided investment banking services to the subject issuer? Yes No

Does Cormark expect to receive compensation for investment banking services from the subject issuer in the next three months? Yes No

Does the analyst or any individual responsible for the preparation of this research, or a member of that person's household, have a financial interest in the debt or equity securities of the subject issuer? Yes No

If YES

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2) What type of security is it?

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Has the analyst viewed the material operations of the subject issuer? Yes No

Does the analyst or Cormark have any other material conflict of interest with the subject issuer? Yes No

If YES

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If YES, name of person(s) who provided services:

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Source: Cormark Securities Inc.

Figure 27 Osisko Gold Royalties Ltd. - Disclosure Chart

Osisko Gold Royalties Ltd.

Updated March 25, 2019

Price Chart and Disclosure Statement

*Information updated monthly on or about the 5th of each month.



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<i>Market Perform</i>	11%	<i>Market Perform</i>	29%
<i>Reduce</i>	3%	<i>Reduce</i>	70%
<i>Not Rated</i>	21%		

Recommendation / Target Chg	Date	C\$
	07-Jan-19	17.00 (B)
	20-Jul-18	17.50 (B)
	20-Jun-18	18.00 (B)
	23-Apr-18	17.50 (B)
	21-Feb-18	21.00 (B)
	10-Jan-18	22.50 (B)
	08-Aug-17	21.50 (B)
	06-Jun-17	22.50 (B)
	08-May-17	17.50 (MP)
	19-Apr-17	19.00 (MP)
	17-Mar-17	17.50 (MP)
	13-Jan-17	16.50 (MP)
	11-Nov-16	17.50 (MP)
	14-Jul-16	18.25 (MP)
	06-May-16	17.00 (MP)
	11-Apr-16	14.75 (MP)

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1) Is it a long and/or short position?

2) What type of security is it?

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Has the analyst viewed the material operations of the subject issuer? Yes No

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If YES

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