

Recommendation: Buy (S)
Target Price: C\$1.20

Minera Alamos Inc. (MAI-TSXV)

Cerro de Oro Looking Like A Steal

Current Price	C\$0.70	Shares Outstanding (MM)	
52 Wk High	C\$0.78	Basic	438.5
52 Wk Low	C\$0.16	Diluted	464.1
Est. Cash (MM)	C\$25.3	Mgmt. & Dir.	23.2
Debt (MM)	C\$2.4		
NAVPS	C\$1.32	Market Cap.	C\$307.0
P/NAV	0.53x	EV	C\$281.7
NAV (spot)*	C\$1.29		
P/NAV (spot)*	0.54x	Reserves	n/a
Target Return	71.4%	Total Resource	0.97 MMoz
EV/Reserve			n/a
EV/Resource			\$387/oz

* Cormark deck is \$1,900/oz; spot gold is \$1,888/oz

Unless otherwise denoted, all figures shown in US\$

Event:

Maiden resource for the Cerro de Oro project (Zacatecas, Mexico)

Impact:

Positive

Commentary:

Minera Alamos announced a maiden inferred resource for Cerro de Oro which came in at 48 MMt grading 0.41 g/t, or 630,000 oz of oxide gold. We had modelled a 450,000 oz minable inventory grading 0.45 g/t, suggesting a large beat on tonnage, while grade was in line with expectations. The resource was prepared using an economic pit shell at a gold price of \$1,450/oz and cut-off grade of 0.18 g/t, resulting in total pit volume of 59 MMt. This implies only 11 MMt of total waste in the pit shell in contrast to the 48 MMt resource (a ratio of 0.23:1).

We note that the estimate incorporates a total of 84 RC holes (7,112 m) and 12 core holes (3,786 m), all of which were drilled by previous operators (Noranda in 1993-1998 and Minera Mexico Pacifica in 2017-2018). In other words, the resource estimate includes zero drilling by Minera Alamos. If Minera were to never find another ounce of gold at Cerro de Oro (a scenario we view as highly unlikely), the company would have paid just \$8/oz to acquire the asset.

The deposit remains open for expansion, and a limited number of diamond drill holes have demonstrated the potential for high-grade sulphide mineralization to extend to depth below the current estimate area (largely ignored by the historical drill programs). While this resource is a great starting point, the company believes that resources can be expanded significantly through additional drilling planned for 2021. Step-out drilling will attempt to grow the footprint of the existing resource, while infill drilling will also have the added benefit of generating fresh oxide for future metallurgical work as well as targeting the untested sulphides at depth.

We make several changes to our conceptual model, including factoring in a larger minable inventory (630,000 oz vs. 450,000 oz), slightly reducing the average stacked grade (0.41 g/t vs. 0.45 g/t), lowering the strip ratio (1.00:1 from 1.15:1) and factoring in an expansion to 20,000 tpd (from 10,000 tpd) in year three of our conceptual mine plan for an incremental \$10 MM in capital expenditures.

Investment Conclusion:

As a result of changes in our modelled assumptions for Cerro de Oro, our NAV increases to C\$1.32 (from C\$1.22) and drives an increase in our target price to C\$1.20 (from C\$1.10). We remain bullish on Minera Alamos for its sensible business model, impressive organic growth profile and valuation (0.53x NAV at \$1,900/oz).

Figure 1: Summary Of Mine Plan Assumptions

		Santana	Cerro de Oro	La Fortuna
Timing				
Start of Mine	(Year)	2021	2023	2024
Mine Plan Inventory				
Total Ore Mined	(MMt)	21	48	3
Contained Gold	(Koz Au)	500	630	388
Grade				
LOM Gold Grade	(g/t Au)	0.75	0.41	3.66
Scale				
Ore Throughput	(tpd)	6,000	18,000	1,570
Strip Ratio	(W : O)	2.3 : 1	1.0 : 1	4.5 : 1
Mine Life	(Years)	9.5	8.2	5.0
Recovery				
Gold Recovery Rate	(%)	70%	68%	90%
Production				
Avg. Annual Produced	(Koz Au)	36	60	43
LOM Production	(Koz Au)	350	428	213
Capital Expenditures				
Initial Capex	(US\$MM)	\$13	\$28	\$27
LOM Sustaining Capex	(US\$MM)	\$11	\$9	\$6
Royalties				
LOM Royalties	(US\$MM)	\$20	\$0	\$18
Operating Expenses				
Mining Costs	(US\$/t mined)	\$2.25	\$2.00	\$2.15
Mining Costs	(US\$/t processed)	\$7.43	\$4.00	\$17.38
Processing Costs	(US\$/t processed)	\$3.50	\$3.50	\$22.89
Site G&A Costs	(US\$/t processed)	\$2.00	\$2.00	\$5.54
Cash Costs	(US\$/oz Au)	\$834	\$1,060	\$464
AISC Cost	(US\$/oz Au)	\$866	\$1,093	\$493

Source: Cormark Securities Inc., Company Reports

Figure 2: MAI – NAV Table (at \$1,900/oz)

	US\$MM	US\$/Share
Assets		
Santana (100%), Mexico - NPV5%	165.2	0.36
La Fortuna (100%), Mexico - NPV5%	139.0	0.30
Cerro de Oro (100%), Mexico - NPV5%	127.5	0.27
Corporate Adjustments		
Current Cash & Marketable Securities	19.0	0.04
Cash from Future Royalty Sale	6.8	0.01
Proceeds from Future Equity Financing	0.0	0.00
Cash from Warrants/Options ITM at Target	3.4	0.01
Debt	(1.8)	(0.00)
Net Asset Value	459.0	0.99
Net Asset Value (C\$)	C\$612.1	C\$1.32
Basic Shares Outstanding (Current)		438.5
ITM Options and Warrants Outstanding		25.6
New Shares Issued In Future Equity Financing		0.0
Fully Financed & Diluted Shares Outstanding		464.1
Current Minera Alamos Gold Share Price		C\$0.70
Price/NAV		0.53x

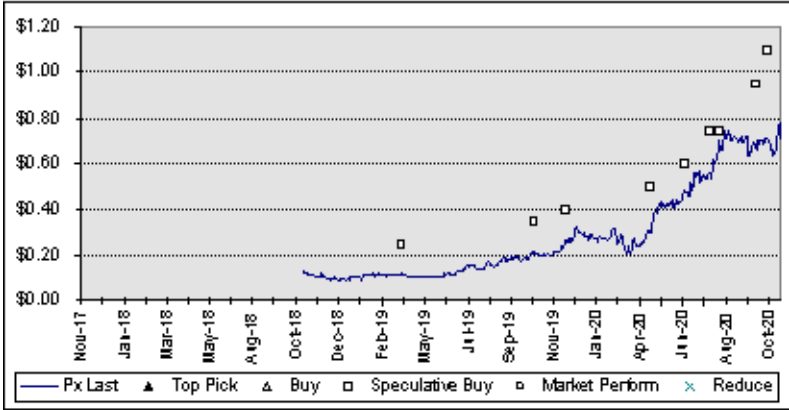
Source: Cormark Securities Inc.

Minera Alamos Inc.

Updated November 16, 2020

Price Chart and Disclosure Statement

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



Recommendation / Target Chg	Date	C\$
	19-Oct-20	1.10 (B-S)
	30-Sep-20	0.95 (B-S)
	05-Aug-20	0.75 (B-S)
	05-Aug-20	0.75 (Chng Cover)
	20-Jul-20	0.75 (B-S)
	11-Jun-20	0.60 (B-S)
	20-Apr-20	0.50 (B-S)
	09-Dec-19	0.40 (B-S)
	18-Oct-19	0.35 (B-S)
	26-Mar-19	0.25 (B-S)

*Cormark has this percentage of its universe assigned as the following:

<i>Buy or Top Pick</i>	65%
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<i>Reduce or Tender</i>	2%
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