

MINERA ALAMOS
Site Visit Report / November 2019

"Luck Is What Happens When Preparation Meets Opportunity"

Hell of a philosophical start to a site visit report. But don't worry, we won't go all Seneca on you. However, the title perfectly describes the current situation at Minera Alamos. And us investors (yes, I do own shares, warrants and options in the company) are the lucky ones that get to benefit. The first phase has started, and opportune investors are already up over 100%. I am repeating myself now: don't worry. There is plenty of upside left for potential new investors into MAI.v. After our recent site visit to Santana, I am more convinced than ever before.

Let's start this site visit report to Minera Alamos's Santana project in Mexico off with a brief anecdote about how I came across the company.

Back in early 2016, it was the first week of February to be exact, I had the opportunity to market with CEO Darren Koningen in Zurich, Switzerland. Sentiment was still bleak – the markets only picked up in the spring – but we managed to put a decent meeting schedule together for the team and even helped raise some, not a lot of, capital at C\$0.10 for the company. Jump to mid-2016, the junior mining market was finally catching a bid from investors, MAI shot up to a high of C\$0.29, everybody was happy, and investors had the chance to take money off the table. After that it went quiet and the stock trickled back down to a low of C\$0.085 at the end of 2018.

We lost sight of the company from mid-2016 until about January 2018. During a trip to the Vancouver Resources Investment Conference we heard a rumor that Corex Gold would be merging with Minera Alamos. And indeed, only a few short days later, both companies announced their intentions and we met up with Doug Ramshaw, formerly the CEO of Corex and now the President of Minera Alamos, while we were still in town.

LinkedIn dates my first post on Minera Alamos back to October 25, 2018. Exactly 12 months ago, Minera Alamos announced a new discovery: 95.7 meters of 1.47 g/t gold equivalent from the newly discovered Divisadero zone. The stock was trading at C\$0.13 back then.

The merger with Corex was rough to say the least. It created a company with a ton of shares outstanding, close to 300mn, and brought in investors that wanted out. Minera Alamos was under constant selling pressure. We followed closely but mentioned MAI only to investors and contacts that we were certain would understand that the company needed time to get its act together. There was no rush to pile into the stock. Patient investors were able to bottom fish the stock at C\$0.10 or below.

On top of it all, Minera Alamos had close to 83mn warrants from previous financing rounds outstanding. Half of the warrants had an exercise price of C\$0.10 and put a massive lid on the share price.

At Oreninc we used the Minera Alamos stock chart to show investors how detrimental excessive warrant overhang can be for the share price of a company. Fortunately, roughly 80mn warrants expired or were exercised earlier this summer so that the capital structure looks much cleaner now.

And surprise, the share price has more than doubled since. Today, MAI is trading at C\$0.21 and a market cap of C\$77mn. We are of the strong opinion that the jump in gold price is not the only reason for the doubling in Minera Alamos's share price.

But let's get back to the main theme of this report: our site visit. We have been in Doug Ramshaw's ear for a while. We wanted to see the projects in Mexico to get a better understanding of what the company is trying to do and achieve.

"Seeing is believing" – since I am admittedly neither a geologist or an engineer, going on site, seeing the project with my own eyes, getting a feel for the location and more importantly, spending a lot of time with management, during the day and after-hours, is key for me. Presentations can only tell you so much. The mining industry is one of very few sectors where you have direct access to management.

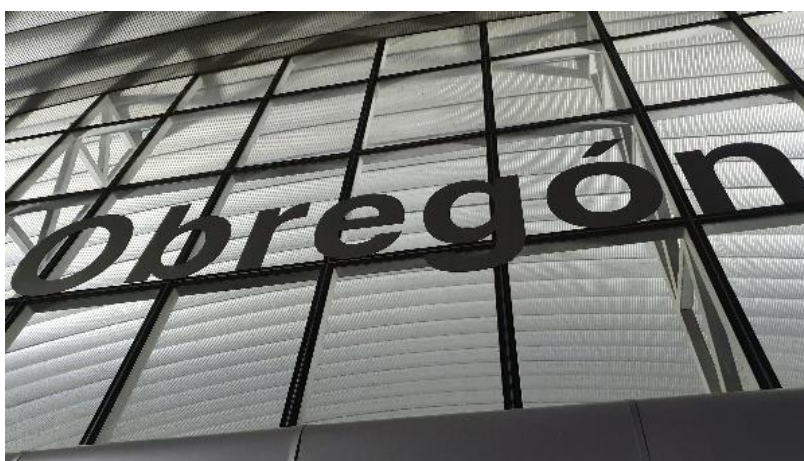
I remember being an intern at Deutsche Telekom, Germany's largest employer with over 250,000 employees and there, speaking with the CEO was like an audience with the Pope. Not so in junior mining. I make every effort to use those opportunities and learn.



For some reason, I keep ending up on the very early morning flights out of Vancouver. The flight for Mexico City left YVR at 6:40am. The taxi picked me up at 4:45am – way too early. I met MAI President Ramshaw at the airport, and we shuttled down south together. At MEX we met up with another analyst on the tour, had some lunch and boarded our second flight of the day to head back north to Obregon, the second largest city in Sonora with roughly 400,000 inhabitants.

At the airport in Ciudad Obregon we were met by the MAI team consisting of **CEO Darren Koningen**, **VP Exploration Miguel Cardona** and the **VP of Project Development Federico Alvarez**. After we dropped off our luggage at the hotel, we went for dinner at a nearby pub where we got a first introduction to the company and discussed the plans for the next 24h.

Luckily, we decided to leave for Santana only at 7:30am on the next day. For a site visit, that is late. We are used to much earlier departure times. Since it was an easy 2,5h drive to Santana, there was no need to push it. We left on time and drove in a north-easterly direction on paved Highway 117 until we were about 12km from the project.





We took a right onto an unmarked dirt road and drove the final 30 minutes to site. Since it was the end of the four-month rainy season when we visited, it was probably more rugged than usual and will definitely need some upgrading. Regular 30- or 40-ton trucks won't have any troubles travelling on it, but excessive wear and tear can be prevented. No big deal and an easy fix for the company. Also, a great opportunity to get the community engaged and hire local help to do some grading with a dozer.

Our first stop took us the current project office which also houses a couple of beds for overnight guests. It is fully functional with a small kitchen, air-conditioning, bathrooms and a shower. Internet was rather hit and miss and cell reception was only available in one corner of the building. Or at the tops of Nicho and Nicho Norte for that matter. The site office will need upgrading as activities at Santana pick up and Minera Alamos transitions to becoming a producer. But again, no showstopper and another easy fix as things ramp up in Sonora.

Over sandwiches and cookies, a welcome early lunch, the VP of Exploration Miguel Cardona ran us through his interpretation of the Santana project site. The previous operator had drilled close to 20,000m giving the current team a head start. After the merger with Corex it was up to Miguel to make sense of the information though.



Before we dive deeper into the project, let's take a step back and briefly discuss the management team of Minera Alamos.

In recent years, you have most likely heard every presenter and interview guest state on camera, on stage or in a podcast that management is the #1 criteria when they are doing their due diligence on a company. And they are right.

Let me say one thing, you will have a very hard time finding a more skilled team in Mexico or anywhere in the world for that matter. They are absolute experts in their field – the black art of heap leaching. The team is specialized in building inexpensive heap leach operations with production capacities of up to 100,000 oz. Their absolute sweet spot lies in starting off small, usually with around 25,000 oz of annual production and expansion through cash flow.

CEO Darren Koningen (photo below, center) is a metallurgist by education and focusses on metallurgical process design and operations. He has brought three mines into production, with Santana soon to be his fourth. He built El Castillo for Castle Gold before the company was bought by Argonaut Gold for US\$ 112mn

in 2010. In 2018, Argonaut produced close to 120,000 oz AuEq. at El Castillo at cash costs of US\$737 per ounce sold. El Castillo started out at 25,000 oz per year and was upgraded twice out of cash flow to 75,000 oz of gold per year before it was sold to Argonaut.

Koningen is joined by the aforementioned Miguel Cardona (leaning on the left in the photo). Both have successfully worked together at Castle Gold where Cardona was responsible for



quadrupling the El Castillo resource out of cashflow to 1.2mn oz of gold before the company was bought out. Miguel has an impeccable track record, having worked on the Los Filos and El Limon discoveries with Teck-Cominco in Mexico before joining forces with Darren. We will come back to Miguel in a moment when we dive deeper into the Santana project.

The third member of the local team is Federico Alvarez, the VP Project Development. For some reason, I don't have a great shot of him from the site visit. Needless to say, we forgot to take the obligatory group photo.

Despite officially living in Toronto, CEO Konigen spends roughly three out of four weeks down at site or the office in Obregon, hence we consider him local. Apart from President Ramshaw and the people in the head office in Toronto, he is the only "gringo" working for the company that otherwise solely relies on local talent like Cardona and Alvarez. Konigen is also the link to the Osisko group but more on that later.

Back to Alvarez, who holds a master's degree in engineering from McGill University in Montreal. Together with Konigen, he is the mine builder of the team. It shouldn't come as a surprise, but he was also part of the team that build Castle Gold. After the Argonaut buy-out, Federico stayed on as their VP Operations before joining Konigen back at Minera Alamos in 2011. You could tell that he was eager to finally enter the construction phase at Santana and between Miguel and Federico, we could not decide who was more excited about the current status of Minera Alamos. Federico who finally gets to build a mine or Miguel who has a lot of prospective targets to drill and gets a shot at replicating his El Castillo exploration success.

The team has worked together for over 15 years and has an excellent rapport amongst themselves. As the newcomer, President Doug Ramshaw (the fellow on the right in the photo above) is a perfect fit. He is the public face of the company. While he is busy attending conferences, raising capital and visibility, the others can do what they do best – build profitable mines and find more ounces. Ramshaw was the only executive that stayed on board after the transaction with Corex was complete.

As a side note, Doug declined his change of control payment and severance pay that he would have been entitled to, to become President of Minera Alamos and see Santana through to production. Based on what his colleagues received in the transaction, he easily passed on C\$300,000. We applaud that as Ramshaw seems to have the bigger picture in mind. To underline this, he bought over 4mn shares in the open market, while he has been granted only 3.1mn options so far. As he told us during the site visit, his mantra is to always own more shares (that he bought and paid for) than options.



But enough about the team. They are good at what they do and in summary, that's all you need to know. Let us circle back to the project site office, where Miguel was about to run us through his models and sections.

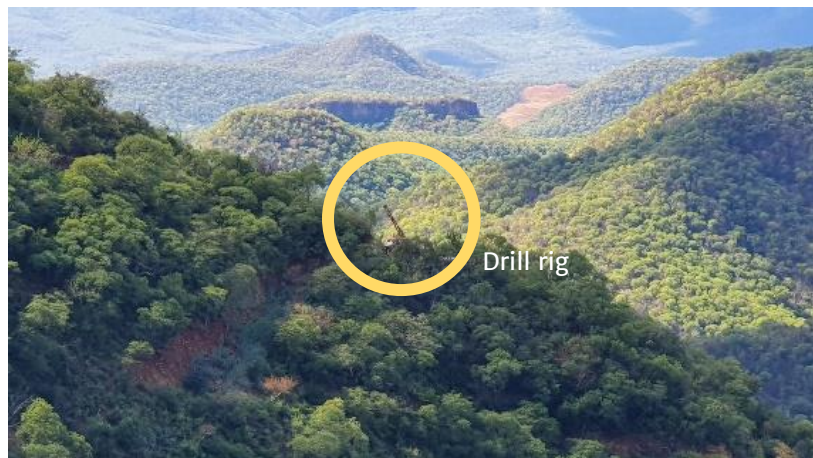
Santana was the project that Minera Alamos acquired in the dilutive all-share merger with Corex Gold early in 2018. It will also be the first project that the team plans to bring into production – the goal is to be producing gold by mid-summer

2020. The project is fully permitted with the final federal EIA approval received in early August – slightly ahead of the internal schedule.

Talking about Santana is not easy, for a project that is going to be in production in less than 12 months' time, there is no technical report available yet. Neither Corex nor Minera have published one. However, we were promised a NI 43-101 for Q1/Q2 2020. Therefore, we will have to use the subjunctive and hypotheticals.

One thing that became crystal clear during our site visit, Santana is not just a boring 40,000 oz a year production story. The exploration upside on the property is incredible and, in our opinion, needs to be told better. The current presentation material doesn't do it justice and might be a reason why the company has been ignored by the wider markets to date. (UPDATE: The company has since updated the presentation on its website and now shows a nice topography map, but not all targets are marked yet. For example, the Bufita target is not shown yet).

At the end of last year, the company pulled some fantastic holes out of the Divisadero zone – a new discovery was made. Hole S18-121 delivered 95.7m of 1.47 g/t gold equivalent from only 32 meters. Due to budget and permitting constraints, Minera Alamos had to leave the market hanging and is only following up now. It should come as no surprise, but the first holes to be announced in hopefully three to six weeks, will be coming out of Divisadero. We are advised that the company plans to stick to its press release schedule of announcing three to four holes at a time.

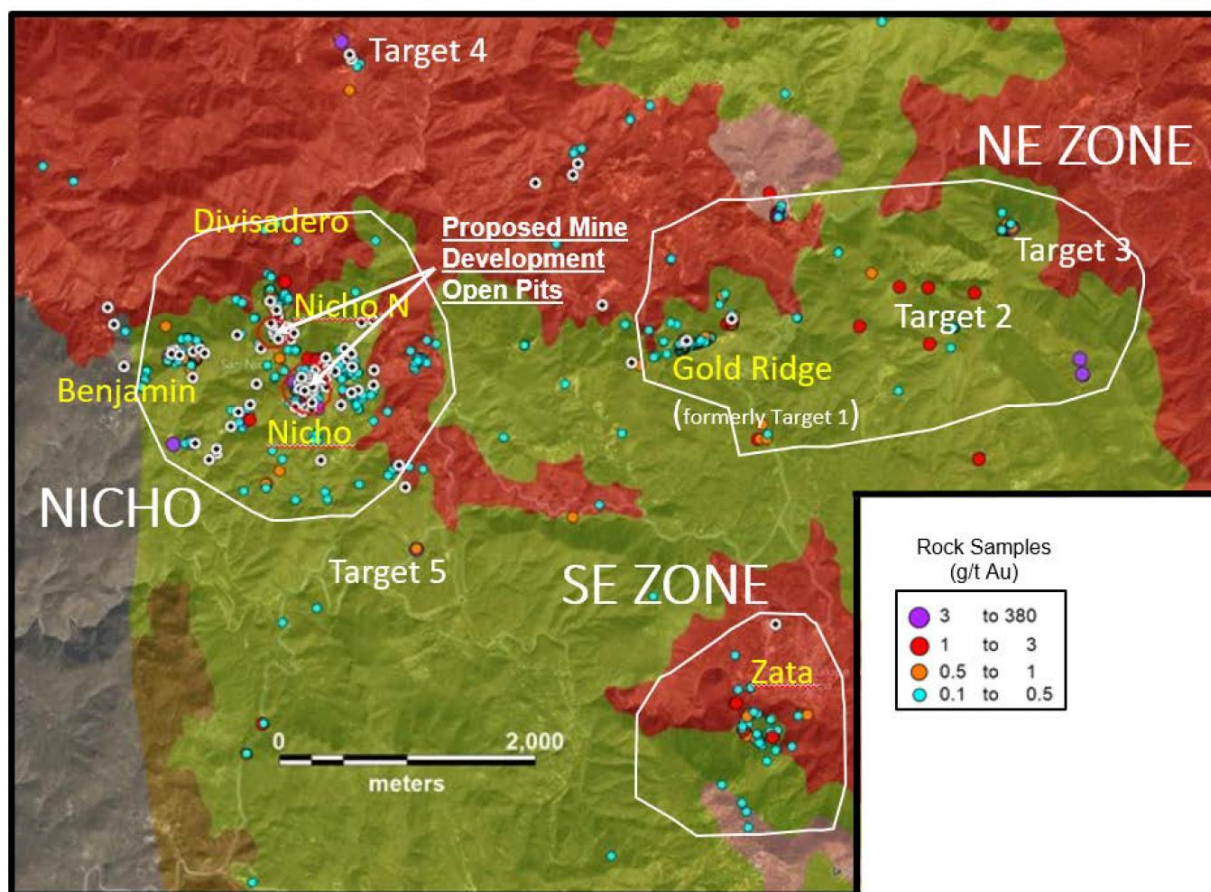


Sitting right next to Miguel during his technical presentation, it is easy to tell that he is biting his tongue. The most we got of him in regard to Divisadero was "It is a good opportunity to add ounces".

Minera is currently using its own diamond drill rig. However, there are plans to add RC drill rigs from external sources early next year. RC drilling is much faster and cheaper. As MAI will mostly be drilling shallow targets, it is the ideal exploration tool. The company needs to secure additional funding first. We will come back to this point later on.

Going through the models with the VP Exploration, he points out that although the company has hit porphyry style mineralization at Divisadero, they regard the discovery as more intrusive related. The gold is not in fractures but disseminated throughout the mineralization. This becomes very clear when one goes down a drill hole section by section.

We went over how the geological team spent the last 6 months using basic exploration tools and techniques (ie. mapping and rock sampling) to further identify potential targets on the property. And again, looking at the current presentation that is available on the company website, the messaging needs to be improved in that regard. Later on, walking the property, even a geological layman like me, can realize how the newly identified targets could drastically improve the production scenario. But without any exchange approved studies, one cannot talk about it. However, it would help though if the mine infrastructure would be added to a topographical map which also shows the targets like below.



To showcase how new some of the target discoveries are, some of them have not even been named yet. They are simply called Target 2 and Target 3.

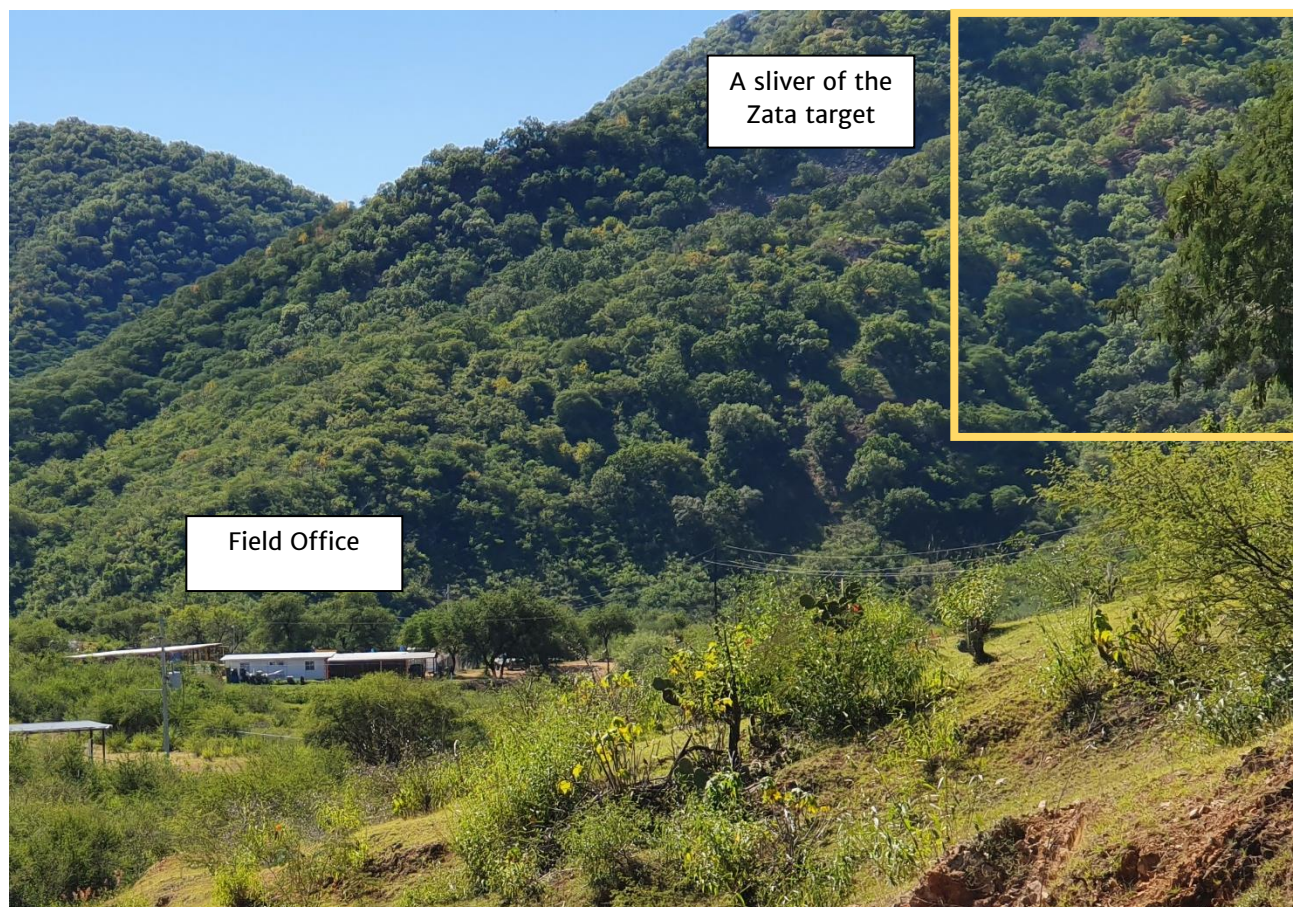
One thing we can talk about is that Minera Alamos will be attacking its drill program with two objectives in mind:

- 1) Infill drilling and pit-design drilling. Ideally adding ounces in and around the pit. As well as to firm up the resource calculation that MAI plans to publish next year.
- 2) New target drilling – as you can see on the map that I just copy and pasted from the presentation, there is a lot of upside left on the property.

Before we forget to mention it, the drill budget for the next three quarters is around C\$500,000 per quarter. This should guarantee a steady flow of results in the coming months while the company ramps up to production, eliminating any quiet period that investors dread before the commencement of production.

The drill budget and plan is for 10,000m in total. Roughly 20–30 holes in the Nicho and Nicho Norte targets which should equate to about 4,000m. Divisadero should see another 20 holes totaling around 3,000m.

One target VP Ex Cardona was most excited about is Zata. The target is a stones' throw from the field office and made the arm-waving very easy for the team as we didn't have hike up any hills to see the target zone. Cardona estimates that he would need perhaps 20,000m of drilling to come up with a replica of Nicho. The budget calls for 1,500m distributed over 5 to 10 holes for now. In his excitement, Cardona hints at the potential that Zata could grade slightly higher than the project average grade of 0.7 g/t AuEq.



Asked about the visualization of the project and how to best showcase the potential and upside, Ramshaw mentioned that the company has made room in the 2020 budget for the implementation of the VRIFY platform. This is not going to be a huge catalyst by any means, but it should help explain the exploration upside way better. We would like to see much more detail added to the proposed site arrangement plan to better show the nearby targets.



Following the technical presentation, we went outside to the **core shack** where some representative holes for Nicho, Nicho Norte and Divisadero have been laid for us. The holes aren't very flashy as the gold is finely disseminated and occurs along microfractures in the rock. The main mineralized zone seems to be a low-sulfidation epithermal deposit. Recoveries from heap leaching are expected to be in the high 70s, lower 80s. With CEO Koning

being a metallurgist and all, the company has done extensive test work and also has the bulk sample recoveries to work with. The results from the 50,000 t bulk sample are worth a lot more than any of the column and bottle roll tests the company has performed so far. As the company was able to experiment with various crush sizes during the sample process.

Since the rock is also very porous, it might even be possible to consider a run-of-mine scenario. But without more met results available, this is just guesswork.

After a fairly brief stop at the core shack, we jumped back into the pick up trucks to drive out into the field. We drove back the way we came into the project and made a right turn to head up towards Nicho and Nicho Norte. It is always impressive to stand on a piece of ground that you know won't be there in 12 months' time.

Arriving at Nicho, we hiked up a small hill to get a better view of the surrounding area. It also makes for much better arm waving. In the picture to the right VP Exploration Miguel Cardona points towards the new exploration targets Goldridge, Target 2 and Target 3.

President Ramshaw didn't want to miss out on the arm waving opportunity. Turning 180° he



pointed out the Nicho Norte zone as well as the area where the company extracted the bulk sample. Divisadero is slightly further the right, heading down the Nicho Norte hill. Up on the Nicho showing, we also looked at some drill collars. Standing on the target also really gave us a good impression of the topography of the area. Following Ramshaws thumb, we got to see

how close the Benjamin target is as well. All of the above targets should see at least 2 to 3 holes put into them over the next 6 to 9 months.



From Nicho we decided to take a short 10min walk down to Nicho Norte and look at the bulk sampling target. It felt great to stretch our legs on the short hike. At Nicho Norte we witnessed what a bulk sample can look like without the company having an explosives permit. The material from Nicho was processed at a small heap leach pad another short walk to the east of the concession. The company has covered the pad with black lining, to prevent the rain getting into the system. Minera has also stopped

adding solution to the pad and is now recovering residual ounces from the pad. The company still recovers about 10 oz of gold a month from the 50,000 t bulk sample. The recoveries were excellent. The recovered gold values were 0.67 g/t and over 1,000 oz of gold were produced. The company used the opportunity to also test various crush sizes and found that there will be no need for future agglomeration – another reason why the CAPEX for Santana is pegged at only C\$ 10mn (!). Crush sizes of 1/2" up to 3" resulted in consistent recoveries.

CEO Koningen, the metallurgist, was an integral part of the bulk sampling process and the brain behind the below pictured CIL plant. It looks very rudimentary, but the results speak for themselves. Koningen's expertise does not go unnoticed in the industry. He is also the connection to the Osisko group, we understand



that he is their go-to expert regarding metallurgical matters. Their confidence in his abilities also led to a direct investment into Minera Alamos.

Osisko Gold Royalties also added MAI to their accelerator track. The Montreal based royalty firm currently owns around 13% of the outstanding shares. They did not participate in the latest 10cent placement round in February, leading us to assume that the company will potentially participate in the next round of financing to get MAI to production. Sticking to their modus operandi, we assume that Osisko could be buying a royalty from the company in the not to distant future. MAI will need to start ordering long lead time items. As witnessed in the Victoria Gold transaction, we could be looking at a royalty of around 5%. However, since we don't anticipate any further debt to be taken on by the company, we consider a royalty of that magnitude as manageable. To cover G&A and to cover the aforementioned quarterly exploration costs, Osisko could add a potential equity portion in the transaction which would also take their shareowner ship to 19%. Nothing that we haven't seen before.

After our stop at the bulk sampling facility, we made our way back to the trucks and drove onwards to the site where Minera already commenced the construction of the explosive's bunkers. A dozer was moving dirt as construction only begun the previous day.



Conclusion and Summary

With the site visit complete, lets summarize what we learned and what we are looking forward to:

- 1) The exploration potential at Santana is enormous. Spending C\$500,000 on exploration per quarter is an excellent start. Miguel Cardona will be very eager to deploy that capital.

- 2) Drill results should start to come in from the end of November onwards. The first drill data will be coming from the Divisadero area. Exploration spending will ensure continuous news flow even during the construction period. Hopefully encouraging results will underline the fact that Minera has much more potential at Santana than it leads investors to believe.
- 3) Construction has commenced, not officially yet, but a start is a start. We are waiting for the announcement of the final financing package, most likely with the Osisko group. We expect an announcement in due course as MAI needs to order long term lead items.
- 4) Santana will be the steppingstone and the team around CEO Koningen is working hard towards repeating their past success of starting small and expanding. The La Fortuna project is ready to go as well. MAI has a clear vision of turning the company into a 100,000 oz gold producer. With Guadalupe de los Reyes now sold, we are speculating that the team might want to fill the void – originally the company had visibility to go to a yearly gold production of 150,000 oz. With Santana well underway, we wouldn't be surprised to find a press release announcing an acquisition in our inbox sometime in the spring.

We are not going to make a formal recommendation as a part of this report.

DISCLAIMER:

First and foremost, we own shares, warrants and options and are therefore biased. We have not been compensated for writing this report. The company covered our travel costs. This report is not intended as investment advice or a recommendation to buy or sell shares. We strongly suggest you talk to your investment advisor before making any investment decision.

GOOD LUCK!

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