

Ticker: LCL AU
Market cap: A\$67m

4Q22 Cash: A\$19m
Price: A\$0.105/sh

Project: Quinchia
Country: Colombia

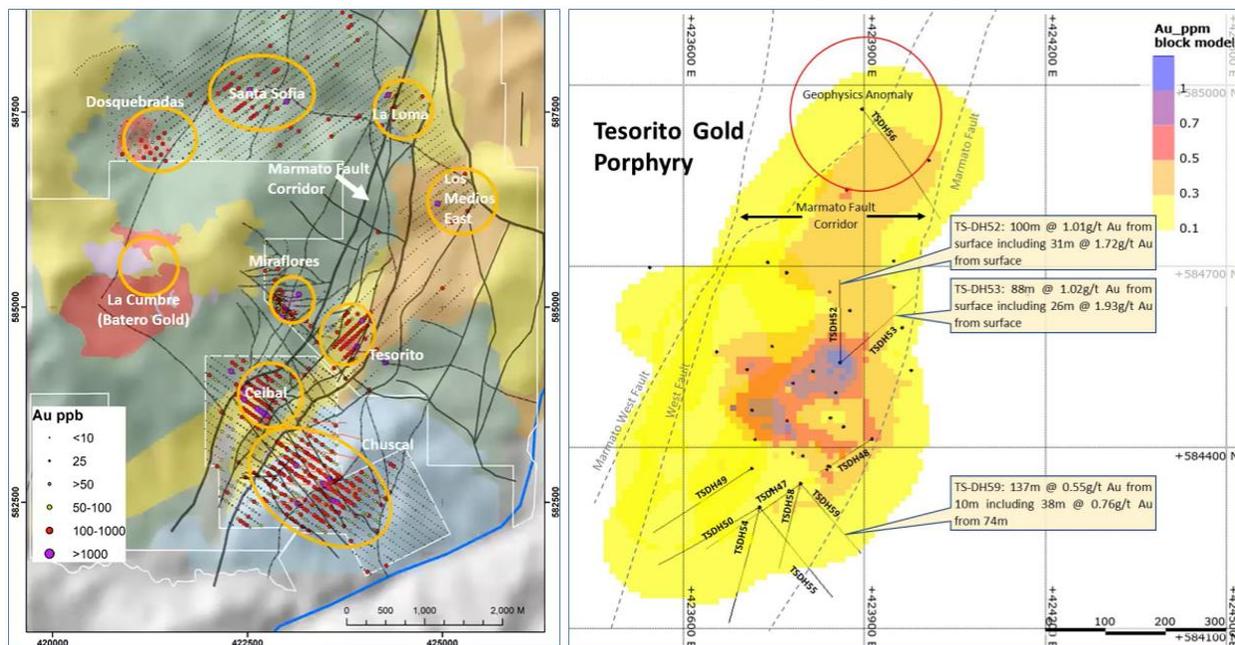
REC. (unc): BUY

TARGET (unc): A\$0.36/sh

RISK RATING (unc): SPECULATIVE

Today's drilling at Tesorito sees results from three target areas: (i) the far south (eight holes), which now closes mineralization to the south with 0.2-0.4g/t Au intercepts and single 71m @ 0.6g/t going back toward central (ii) central (two holes) hitting good grades from surface in thick, bulk, mineralization which should add both M&I and a starter-pit with low (zero) strip, plus (iii) a single hole into the northern untested IP anomaly which yielded 0.3-0.7g/t Au to ~200m down hole, but no material hits related to geophysical anomalies, hence drilling will continue there. Looking ahead, 2Q22 MRE is the key share price catalyst, but there is still lots of discovery-drilling to look forward to, plus IP geophysics results at Chuscal, and metallurgy plus scoping study to follow the MRE at Tesorito. As such, **we maintain our BUY rating and 0.2xNAV_{1850-5%} A\$0.36/sh PT** based on hybrid pit and UG for 166koz pa over 10Y at an AISC of US\$939/oz for our A\$1,080m NPV. We model >200koz pa in the early years where high-grade starter pits speed payback.

Figure 1. Plan map of (A) Quinchia and (B) Tesorito highlighting today's drill results



Source: Los Cerros

Tesorito infill hits 100m @ 1.0g/t Au and 88m @ 1.0g/t Au from surface; MRE on track for 2Q22

Results from 11 holes returned in-fill drilling highlights of **100m @ 1.0g/t Au** (incl. **31m @ 1.7g/t Au**) and **88m @ 1.0g/t Au** (incl. **26m @ 1.9g/t Au**) from surface. Southern step-out drilling (eight holes) hit **138m @ 0.4g/t Au** from 19.5m and **137m @ 0.5g/t Au** from 10m, closing the system off to the south. A single northern hole returned similar low grade with 0.3-0.7g/t Au to ~200m down hole, pointing to the system remaining open to the north, with follow-up drilling planned. Three rigs are currently active, with one testing a deep central geophysics target between Tesorito and Miraflores. Two other rigs are expected to arrive in February, one having deep drilling capacity for targeting the northern extent of Ceibal (~1k along trend from Tesorito). A fourth deep penetrating IP geophysics program is underway at the southern extent of Chuscal. The maiden JORC MRE at Tesorito is expected in 2Q22.

Why we like Los Cerros

1. Right geology in Mid Cauca belt, host to >60Moz of gold
2. Existing small 460koz UG has A\$297m NPV_{1850-5%}

3. Pre MRE Tesorito South has SCPe 1.5-2Moz, maiden MRE in 1H22
4. Visibility on a high-grade starter pit, exemplified by 36m @ 3.3g/t from surface
5. Cluster of largely untested porphyry centres remaining to be tested

Catalysts

- 2Q22: MRE
- 2022: Results from IP geophysical survey at Chuscal
- 2022: Ongoing drill results
- 2H22: SCPe scoping study

Research

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Ticker: LCL AU	Price / mkt cap: A\$0.105/sh, A\$67m	Project PNAV today: 0.06x	Asset: Quinchia
Author: B Salier B Gaspar	Rec/0.2xNAV PT: BUY, A\$0.36/sh	1xNAV_{3Q24} FF FD: C\$1.30/sh	Country: Colombia

Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E
Gold price	1,850	1,850	1,850	1,850	1,850

SOTP project valuation*				
	A\$m	O/ship	NAVx	A\$/sh
Miraflores UG	296	100%	0.20x	0.09
Tesorito South	812	100%	0.20x	0.24
Cash (4Q21)	19	100%	1.00x	0.03
Cash from options	2.7	100%	1.00x	0.00
Nominal exploration	-	100%	1.00x	-
Asset NAV5% US\$1850/oz	1,130		PT:	0.36

*Shares diluted for options not mine build Market P/NAV₅ 3Q23 0.06x

Asset value: 1xNPV project @ build start (A\$m, ungeared)*

Project NPV (A\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	682	784	887	989	1,092
Discount rate: 7%	776	888	1,000	1,112	1,224
Discount rate: 5%	885	1,007	1,130	1,253	1,376
Ungeared IRR:	38%	42%	45%	49%	52%

*Project NPV, ex fin. costs and cent G&A, discounted to build start

Group NAV over time^

	1Q22	1Q23	1Q24	1Q25	1Q26
Quinchia NPV (A\$m)	1,014.8	1,065.7	1,124.4	1,386.4	1,680.6
G&A and fin. costs (A\$m)	(115.3)	(116.3)	(117.6)	(115.9)	(104.4)
Net cash prior qtr (A\$m)	19.3	28.9	20.7	0.1	(249.8)
Cash from options (A\$m)	2.7	2.7	2.7	2.7	2.7
Nominal expl'n (A\$m)	-	-	-	-	-
NAV FF FD (A\$m)	921	981	1,030	1,273	1,329
Shares in issue (m)	791	791	791	1,109	1,109
1xNAV/sh FF FD (A\$/sh)*	1.17	1.24	1.30	1.15	1.20

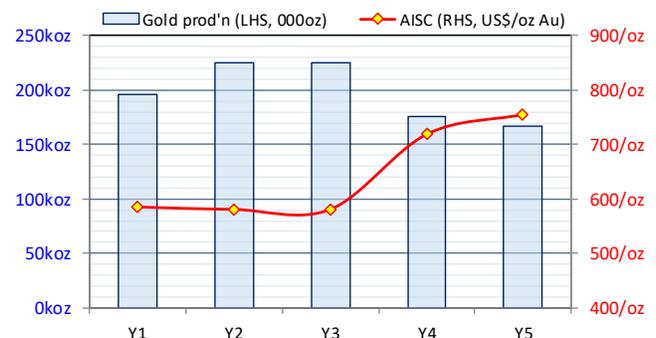
Gearred NAV at first pour, diluted for build, net G&A and fin. costs^

NAV, first gold (A\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	917	1,034	1,150	1,266	1,383
Discount rate: 7%	987	1,111	1,234	1,358	1,482
Discount rate: 5%	1,065	1,197	1,329	1,461	1,593
Gearred project IRR:	34%	38%	42%	45%	49%

^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for build equity

Production	Y1	Y2	Y3	Y4	Y5
Production (000oz Au)	196	225	225	176	167
C1 cost (US\$/oz)	469	469	469	596	630
AISC cost (US\$/oz)	585	580	580	718	755

AISC = C1 + ug sustaining capex, Y1 = CY25



Source: SCP estimates

Resource / Reserve	Tonnes	Grade	Ounces
Miraflores resource	9.3Mt	2.74g/t	840koz
Dosquebrados resource	20.2Mt	0.71g/t	459koz
Group resource incl Tes. S below	64.1Mt	1.24g/t	2563koz
Miraflores reserve	4.3Mt	3.29g/t	457koz
SCP Tesorito S resource/reserve	35Mt	1.13g/t	1264koz
SCP total mining inventory	39.0Mt	1.37g/t	1721koz

Project: USES	Funding: SOURCES
Pre-DFS expl'n / G&A: A\$16m	Cash 2Q21 + pre-Au ITM op.: A\$22m
Exploration to DFS: A\$11m	Equity for DFS: A\$20m
Build capex: A\$460m	Build equity @ 0.4xNAV: A\$210m
Fin. cost + WC over DFS: A\$47m	65% geared debt @ 8%: A\$299m
TOTAL USES: A\$523m	TOTAL SOURCES: A\$551m

Share data	Basic	FD with options	FD for build
Basic shares (m)	638.2	685.1	1,109

Ratio analysis	CY20A	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	332.0	533.9	771.6	790.6	989.5

EPS (A\$/sh)	-	-	-	-	-
CFPS (A\$/sh)	-	-	-	-	-
EV (A\$m)	27.0	36.8	52.1	62.3	103.8
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement

	CY20A	CY21E	CY22E	CY23E	CY24E
Net revenue (A\$m)	0.1	-	-	-	-
COGS (A\$m)	-	-	-	-	-
Gross profit (A\$m)	0.1	-	-	-	-
D&A, attrib (A\$m)	0.0	-	-	-	-
G&A + sh based (A\$m)	3.9	3.5	4.4	4.2	4.0
Finance cost (A\$m)	1.3	0.5	-	-	0.4
Taxes (A\$m)	-	-	-	-	-
Net income (A\$m)	(5.3)	(4.0)	(4.4)	(4.2)	(4.4)

Cash flow, attrib.

	CY20A	CY21E	CY22E	CY23E	CY24E
EBIT (A\$m)	(3.9)	(3.5)	(4.4)	(4.2)	(4.0)
Add back D&A (A\$m)	0.0	-	-	-	-
Less tax, interest (A\$m)	1.3	0.5	-	-	0.4
Wkg cap change (A\$m)	-	-	-	-	-
Other non-cash (A\$m)	(2.1)	(1.1)	-	-	(0.8)
Cash flow ops (A\$m)	(4.7)	(4.0)	(4.4)	(4.2)	(4.4)

PP&E: build /sust (A\$m)	(0.6)	0.2	-	-	225.2
PP&E - expl'n (A\$m)	(2.0)	7.4	6.0	4.0	1.0
Cash flow inv. (A\$m)	2.6	(7.7)	(6.0)	(4.0)	(226.2)
Share issue (A\$m)	16.0	23.2	20.0	-	210.0
Debt draw (repay) (A\$m)	(0.4)	(0.1)	-	-	30.0
Cash flow fin. (A\$m)	15.7	23.1	20.0	-	240.0
Net cash change (A\$m)	13.5	11.4	9.6	(8.2)	9.4
EBITDA (A\$m)	-	(4.0)	(4.4)	(4.2)	(4.0)

Balance sheet

	CY20A	CY21E	CY22E	CY23E	CY24E
Cash (A\$m)	7.8	19.3	28.9	20.7	30.1
AR, inv, prepaid (A\$m)	0.2	0.2	0.2	0.2	0.2
PP&E + other (A\$m)	20.0	27.7	33.7	37.7	263.9
Total assets (A\$m)	28	47	63	59	294
Debt (A\$m)	-	-	-	-	30.0
Accounts payable (A\$m)	0.5	0.5	0.5	0.5	0.5
Others (A\$m)	0.2	0.2	0.2	0.2	0.2
Total liabilities (A\$m)	0.7	0.7	0.7	0.7	30.7
Issued capital (A\$m)	370.5	393.6	413.6	413.6	623.6
Earnings (A\$m)	(343.1)	(347.2)	(351.5)	(355.7)	(360.1)
Liabilities + equity (A\$m)	28	47	63	59	294

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Summary of Recommendations as of January 2022	
BUY:	50
HOLD:	1
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	52

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