

Ticker: LCL AU
Market cap: A\$91m

Pro-forma cash: A\$24m
Price: A\$0.145/sh

Project: Quinchia
Country: Colombia

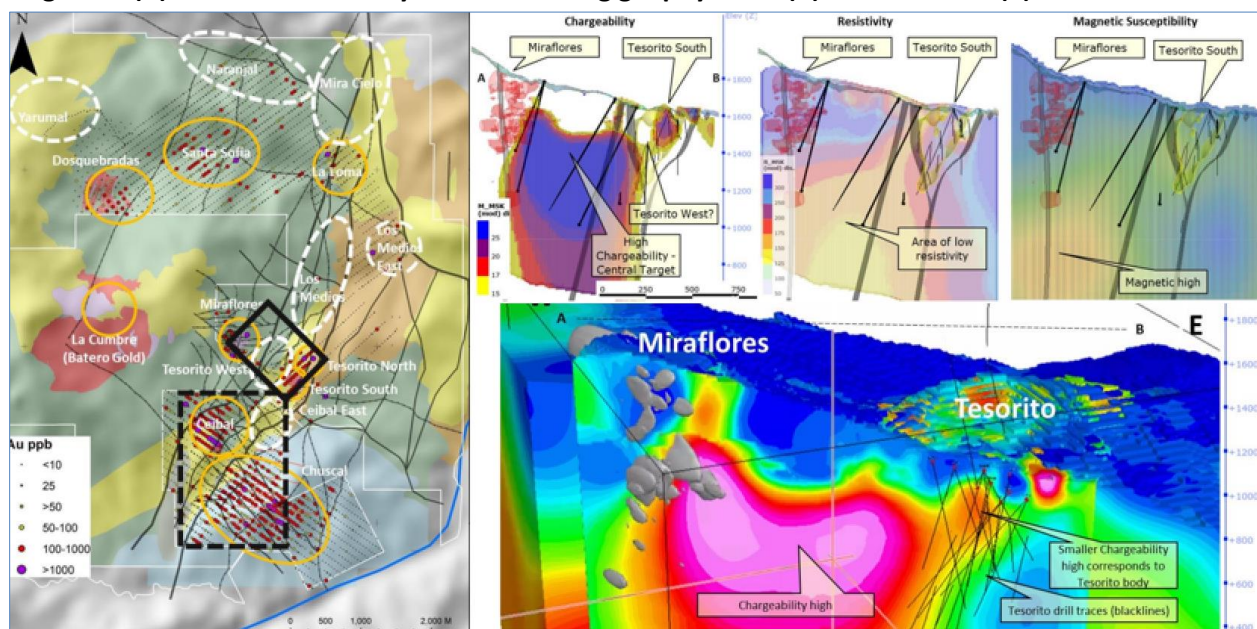
REC. (unc): BUY

TARGET (unc): A\$0.36/sh

RISK RATING (unc): SPECULATIVE

Today's drone mag and deep IP shows new gold porphyry targets (coincident chargeability / conductivity high) for a potential link between Miraflores / Tesorito at depth. Unlike greenfield anomalies, the company had already theorized the potential for this on geometry and increasing copper at depth from the two deposits above, Miraflores and Tesorito. As such, a 'vindicated thesis' anomaly, in our view, is far more powerful than a greenfield anomaly, and we're glad to see two rigs are testing this (Figure 1B shows proposed holes). Beyond this, we're quite excited to see a second larger survey planned for Ceibal / Chuscal targets to the south where surface anomalism and low-grade hits are amazingly in the wallrock, what grade could a causative porphyry be? What is interesting about the gold systems Los Cerros is has defined from surface in '60Moz gold alley' in Colombia is that they are all well above where one expects copper, and/or point to potentially rich feeder. With a pit in place to 'pay for infrastructure', a deep porphyry here could have more value than a 'stranded UG' such as at SOLG. 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. After a recent A\$20m equity raise, the company is drilling with four rigs on both Tesorito South and satellites, hence discovery success and the MRE should be catalysts, with deep discoveries 'in for free'.

Figure 1. (A) Plan view of surveyed area showing geophysics in (B) x-section and (C) NNW 3D section



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

- 4Q21/CY22: ongoing drill results
- 1H22: maiden MRE

Research

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Ticker: LCL AU		Price / mkt cap:		A\$0.145/sh, A\$91m		Project PNAV today:		0.09x		Asset: Quinchia	
Author: B Salier B Gaspa		Rec/0.2xNAV PT:		BUY, A\$0.36/sh		1xNAV _{3Q24} FF FD:		C\$1.32/sh		Country: Colombia	
Commodity price		CY21E	CY22E	CY23E	CY24E	CY25E	Resource / Reserve		Tonnes	Grade	Ounces
Gold price		1,850	1,850	1,850	1,850	1,850	Miraflores resource		9.3Mt	2.74g/t	840koz
SOTP project valuation*							Dosquebrados resouce		20.2Mt	0.71g/t	459koz
		A\$m	O/ship	NAVx	A\$/sh		Group resource incl Tes. S below		64.1Mt	1.24g/t	2563koz
Miraflores UG		296	100%	0.20x	0.09		Miraflores reserve		4.3Mt	3.29g/t	457koz
Tesorito South		784	100%	0.20x	0.23		SCP Tesorito S resource/reserve		35Mt	1.13g/t	1264koz
Pro-forma Cash		24.0	100%	1.00x	0.04		SCP total mining inventory		39.0Mt	1.37g/t	1721koz
Cash from options		2.9	100%	1.00x	0.00		Project: USES		Funding: SOURCES		
Nominal exploration		-	100%	1.00x	-		Pre-DFS expl'n / G&A:		A\$14m	Cash 2Q21 + pre-Au ITM op.:	A\$27m
Asset NAV5% US\$1850/oz		1,107			PT:	0.36	Exploration to DFS		A\$13m	Equity for DFS:	A\$20m
*Shares diluted for options not mine build						Market P/NAV5 _{3Q23}		0.09x	Build capex:		A\$460m
Asset value: 1xNPV project @ build start (A\$m, ungeared)*						Build equity @ 0.4xNAV:		A\$210m	Fin. cost + WC over DFS		A\$46m
65% geared debt @ 8%:						A\$299m		TOTAL USES:		A\$520m	
TOTAL SOURCES:						A\$556m		Share data		Basic	
FD with options						FD for build		Basic shares (m)		625.9	
678.0						1,058		Ratio analysis		CY20A	
CY21E						CY22E		CY23E		CY24E	
Average shares out (m)						332.0		532.4		722.5	
736.2						937.3		EPS (A\$/sh)		-	
CFPS (A\$/sh)						-		-		-	
EV (A\$m)						40.3		76.9		93.2	
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		0.0		-	
G&A + sh based (A\$m)						3.9		4.2		4.2	
Finance cost (A\$m)						1.3		1.1		-	
Taxes (A\$m)						-		-		-	
Net income (A\$m)						(5.3)		(5.4)		(4.2)	
(4.8)						(5.9)		Cash flow, attrib.		CY20A	
CY21E						CY22E		CY23E		CY24E	
EBIT (A\$m)						(3.9)		(4.2)		(4.2)	
Add back D&A (A\$m)						0.0		0.0		-	
Less tax, interest (A\$m)						1.3		1.1		-	
Wkg cap change (A\$m)						-		-		-	
Other non-cash (A\$m)						(2.1)		0.1		1.5	
Cash flow ops (A\$m)						(4.7)		(3.0)		(2.7)	
PP&E: build /sust (A\$m)						(0.6)		0.2		-	
PP&E - expl'n (A\$m)						(2.0)		5.8		6.0	
Cash flow inv. (A\$m)						2.6		(6.1)		(6.0)	
Share issue (A\$m)						16.0		1.6		20.0	
Debt draw (repay) (A\$m)						(0.4)		(0.1)		-	
Cash flow fin. (A\$m)						15.7		1.5		20.0	
-						-		-		-	
Net cash change (A\$m)						13.5		(7.6)		11.3	
EBITDA (A\$m)						-		(5.3)		(4.2)	
Balance sheet						CY20A		CY21E		CY22E	
CY23E						CY24E		Cash (A\$m)		7.8	
AR, inv, prepaid (A\$m)						0.2		0.2		0.2	
PP&E + other (A\$m)						20.0		25.4		31.4	
Total assets (A\$m)						28		26		43	
Debt (A\$m)						-		-		-	
Accounts payable (A\$m)						0.5		0.6		0.6	
Others (A\$m)						0.2		0.2		0.2	
Total liabilities (A\$m)						0.7		0.7		0.7	
Issued capital (A\$m)						370.5		372.7		394.2	
Earnings (A\$m)						(343.1)		(347.5)		(351.7)	
Liabilities + equity (A\$m)						28		26		43	
275						275		275		275	

Gold prod'n (LHS, 000oz)

Y1

Y2

Y3

Y4

Y5

AISC (RHS, US\$/oz Au)

Y1

Y2

Y3

Y4

Y5

Year	Gold prod'n (000oz)	AISC (US\$/oz Au)
Y1	196	469
Y2	225	469
Y3	225	469
Y4	176	596
Y5	167	630

Source: SCP estimates

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HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	48

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