

Ticker: CDPR CN**Cash:** US\$27m**Project:** Quiulacocha**Market cap:** C\$445m**Price:** C\$0.74/sh**Country:** Peru

REC. (unc): BUY

TARGET: (+0.45) C\$1.25/sh

RISK RATING (unc): SPEC

We think today's US DFC Project Funding Agreement is a major positive for CDPR. In the near term it provides up to US\$5m of non dilutive financing but for us the bigger prize is potential US involvement of up to US\$300m for project development; we model US\$400m capex so a potential US\$300m from the DFC is significant. From the US Government side of things, this shows increasing US commercial and development funding engagement with Latin American resource projects. We think part of the motivation is to counter increasing Chinese investment in Latam, but there's also a critical minerals element here given Quiulacocha has high grade gallium and indium in the tailings, which remains upside to our base case valuation: we model 7Mtpa at ~140g/t AgEq producing ~10.8Mozpa, generating ~US\$240m/year FCF at a conservative 40% recovery and 70% base metals and 95-98% precious metals payability assumption. The key next step is phase 2 of the sonic drilling program to define an MRE but we estimate ~75Mt based on historic processing data which has correlated well to drilling in Phase 1.

Model changes: We update our model for recent quarters and lift our target multiple to 0.6x NAV price. With silver producers trading at 1.5-2.0x NAV, we think this is warranted at our LT US\$50/oz silver price. **We maintain our BUY rating and adjust our price target to C\$1.25/sh (prev C\$0.80/sh) based on 0.5xNAV8% at US\$50/oz Ag and US\$3600/oz Au LT.** Upcoming catalysts include phase 2 drilling of the tailings stacks at Quiulacocha to confirm the MRE, and metallurgical testing to determine flowsheet, concentrate products and guide scale. Our thesis here is the high grade tailings could produce up to 7-14Mozpa AgEq at 10-20ktpd processing rates and using a conservative 40% recovery estimate, with gallium and indium as upside awaiting testwork to determine whether they can be commercially recovered in a separate product, or potentially a credit in a base metal concentrate.

Figure 1. Layout of Phase 1 (completed) and Phase 2 drilling (B) Quiulacocha tailings



Source: Cerro de Pasco Resources

CDPR signs DFC funding agreement for US\$5m and potential US\$300m construction finance

Today, Cerro de Pasco announced that it has entered into a development funding agreement with the U.S. International Development Finance Corporation (DFC) for up to US\$5m in milestone based project development. Defined project development activities include sonic grilling, geotechnical and hydrogeological drilling, Feasibility Study (FS), engineering, and a comprehensive Environmental and Social Impact Assessment (ESIA), preparation with CDPR contributing matching funds on a 1:1 basis. In addition, the DFC is considering providing up to US\$300m in long term direct loan finance to support construction of the project.

Why we like Cerro de Pasco

1. Potential to turn environmental liability into a profitable cleanup story

2. Multiple development options, including buying/refurbishing Volcan's nearby 20ktpd plant or build new facility
3. Good infrastructure including town and power

Catalysts

- 2026: Phase 2 drilling, metallurgical tests results, PEA
- 2027: DFS, FID, 2Q27 SCPe construction start
- 2H28: SCPe Production

Research

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Ticker: CDPR CN	Price / mkt cap: C\$0.74/sh, C\$445m	Market P/NAV: 0.36x	Assets: Quilacocha
Authors: J Chan	Rec / 0.6x NAV: BUY / C\$1.25	1xNAVFD: C\$2.08/sh	Country: Peru

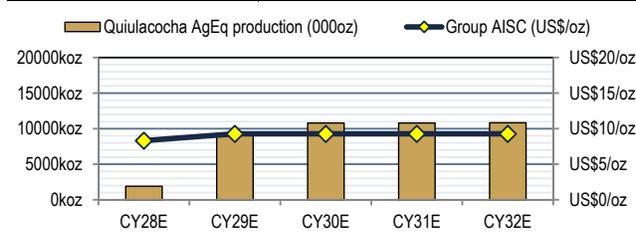
Group-level SOTP valuation	2Q25		FD	
	US\$m.6	O/ship	NAVx	C\$/sh
Quilacocha NPV 2Q25	1,098	100%	1.00x	2.01
Excelsior Tailings nominal (US\$1.5/oz AgEq)	81	100%	1.00x	0.15
Central SG&A & fin costs 2Q25	(83)		1.00x	(0.15)
Resources outside SCPe mine plans (\$100/oz)	-	100%	1.00x	-
Cash 4Q25 + ITM options	64		1.00x	0.1
Debt	(4)		1.00x	(0.01)
1xNAV8% US\$3600/oz - FD pre build	1,157		1.00x	2.12
Assumed build equity issuance	203		1.00x	0.17
0.6xNAV8% US\$3600/oz - Fully Diluted	1,359		0.60x	1.27

1xNAV sensitivity to silver price and discount / NAV multiple					
1xNAV asset (US\$m)	\$30.0oz	\$40.0oz	\$50.0oz	\$75.0oz	\$100.0oz
10% discount	704	819	934	1,222	1,509
8% discount	837	968	1,098	1,424	1,749
7% discount	913	1,052	1,191	1,539	1,886
5% discount	1,088	1,247	1,406	1,803	2,201
Valuation (C\$/sh)	\$30.0oz	\$40.0oz	\$50.0oz	\$75.0oz	\$100.0oz
0.40xNAV	0.65	0.74	0.85	1.11	1.37
0.50xNAV	0.81	0.93	1.06	1.39	1.72
0.60xNAV	0.97	1.12	1.27	1.66	2.06

Sources and uses of cash			
Sources	US\$m	Uses	US\$m
Build Capex (US\$m)	US\$400m	PF cash+options	US\$64m
G&A + fin. cost to production (US\$m)	US\$34m	Debt package (US\$m)	US\$288m
Working capital (US\$m)	US\$23m	Equity raised (US\$m)	US\$203m
SCPe evaluation costs	US\$7m		
Total uses (US\$m)	US\$463m	Total sources (US\$m)	US\$555m
Total contingency buffer (US\$m)	US\$92m		

Valuation over time	Today	2024E	2025E	2026E	2027E
Mines NPV (US\$m)	1,098	935	1,008	1,096	1,293
Cntrl G&A & fin costs (US\$m)	(83)	(75)	(86)	(84)	(78)
Net cash at 1Q (US\$m)	60	8	22	44	211
1xNAV (US\$m)	1,075	867	944	1,056	1,426
1xNAV share px FD + FF (C\$/sh)	2.12	2.61	2.28	2.07	1.72
P/NAV (x):	0.35x	0.28x	0.33x	0.36x	0.43x
ROI to equity holder (% pa)	186%	252%	75%	41%	24%

Geared company C\$ 1xNAVPS diluted for mine build, net G&A and interest					
1Q25 1xNAV FF FD (C\$/sh)^A	\$30.0oz	\$40.0oz	\$50.0oz	\$75.0oz	\$100.0oz
10.0% discount	0.82	0.94	1.07	1.41	1.75
8.0% discount	0.97	1.12	1.27	1.66	2.06
5.0% discount	1.28	1.47	1.66	2.16	2.66
1Q25 1xNAV FF FD (C\$/sh)^A	\$30.0oz	\$40.0oz	\$50.0oz	\$75.0oz	\$100.0oz
20% increase in cost per tonne	1.15	1.33	1.52	1.99	2.47
10% increase in cost per tonne	1.06	1.22	1.39	1.82	2.26
0% increase in cost per tonne	0.97	1.12	1.27	1.66	2.06
-10% increase in cost per tonne	0.88	1.01	1.15	1.50	1.85
1Q25 1xNAV FF FD (C\$/sh)^A	\$30.0oz	\$40.0oz	\$50.0oz	\$75.0oz	\$100.0oz
20.0% change in capex	0.87	1.02	1.17	1.56	1.96
10.0% change in capex	0.92	1.07	1.22	1.61	2.01
0.0% change in capex	0.97	1.12	1.27	1.66	2.06
-10.0% change in capex	1.02	1.17	1.32	1.71	2.11



Production (100%)	CY28E	CY29E	CY30E	CY31E	CY32E
Quilacocha AgEq production (000oz)	1,906	9,191	10,801	10,801	10,831
Group cash cost (US\$/oz)	8.3	8.3	8.3	8.3	8.3
Group AISC (US\$/oz)	8.3	9.3	9.3	9.3	9.3

Source: SCP estimates

Resource / Reserve	Mt	Moz AgEq	EV/oz
Measured, ind. & inf.	74.7	374.6	0.92
Mine inventory (SCPe)	74.6	631.5	0.54

Share data					
Basic shares (m): 600.9	FD shares (m): 758.5	FD + FF	1193.8		

Commodity price	CY25E	CY26E	CY27E	CY28E	CY29E
Gold price (US\$/oz)	3,397	4,050	3,800	3,600	3,600
Ratio analysis					
	CY25E	CY26E	CY27E	CY28E	CY29E
FD shares out (m)	570.8	709.6	1148.6	1173.3	1184.8
EPS (C\$/sh)	0.004	(0.004)	(0.003)	0.011	0.037
CFPS before w/c (C\$/sh)	(0.01)	(0.02)	(0.01)	(0.01)	0.13
FCFPS pre growth (C\$/sh)	(0.01)	(0.02)	(0.01)	0.01	0.14
FCF/sh (C\$/sh)	(0.01)	(0.02)	(0.17)	(0.18)	0.14
FCF per oz (C\$/sh)	-	-	-	5	18
FCF yield - pre growth (%)	(2%)	(3%)	(2%)	1%	27%
FCF yield (%)	(2%)	(3%)	(31%)	(34%)	27%
EBITDA margin (%)	-	-	-	50%	66%
FCF margin (%)	-	-	-	(260%)	43%
ROA (%)	15%	(18%)	(2%)	0%	28%
ROE (%)	19%	(20%)	(3%)	0%	29%
ROCE (%)	17%	(19%)	(2%)	10%	46%
EV (C\$m)	400	481	639	853	827
PER (x)	195.9x	(192.5)	(250.2)	65.8x	20.0x
P/CF (x)	(80.4)	(44.9)	(73.8)	98.9x	4.9x
EV/EBITDA (x)	(50.5x)	(40.3x)	(53.5x)	21.0x	3.2x

Income statement					
	CY25E	CY26E	CY27E	CY28E	CY29E
Revenue (C\$m)	--	--	--	81	391
COGS (C\$m)	--	--	--	(22)	(106)
Gross profit (C\$m)	--	--	--	59	285
G&A & central	(8)	(12)	(12)	(18)	(25)
Depreciation	--	--	--	(9)	(42)
Impairment & other (C\$m)	13	--	--	--	--
Net finance costs (C\$m)	(0)	0	0	(17)	(9)
Tax (C\$m)	--	--	--	(15)	(73)
Minority interest (C\$m)	--	--	--	--	--
Net income attr. (C\$m)	5	(12)	(12)	0	136
EBITDA	(8)	(12)	(12)	41	260

Cash flow					
	CY25E	CY26E	CY27E	CY28E	CY29E
Profit/(loss) after tax (C\$m)	1	(12)	(12)	0	136
Add non-cash items (C\$m)	(6)	--	--	9	42
Less wkg cap / other (C\$m)	(1)	--	--	(24)	(23)
Cash flow ops (C\$m)	(6)	(12)	(12)	(15)	155
PP&E (C\$m)	0	--	(180)	(220)	(9)
Other (C\$m)	(0)	--	--	--	--
Cash flow inv. (C\$m)	1	(8)	(182)	(220)	(9)
Debt draw (repayment) (C\$m)	(2)	--	267	133	(407)
Equity issuance (C\$m)	24	41	286	2	2
Other (C\$m)	1	--	--	--	--
Cash flow fin. (C\$m)	24	41	553	135	(404)
Net change post forex (C\$m)	19	22	359	(100)	(258)
FCF (C\$m)	(6)	(12)	(192)	(235)	146

Balance sheet					
	CY25E	CY26E	CY27E	CY28E	CY29E
Cash (C\$m)	27	49	408	308	49
Accounts receivable (C\$m)	0	0	0	23	46
Inventories (C\$m)	--	--	--	8	16
PPE & exploration (C\$m)	0	8	190	401	368
Other (C\$m)	7	7	7	7	7
Total assets (C\$m)	34	63	605	747	486
Debt (C\$m)	5	5	271	405	(2)
Other liabilities (C\$m)	1	1	1	8	16
Shareholders equity (C\$m)	65	106	392	395	397
Retained earnings (C\$m)	(48)	(59)	(71)	(71)	66
Minority int. & other (C\$m)	10	10	10	10	10
Liabilities+equity (C\$m)	34	63	604	747	486
Net Cash	22	44	136	(97)	51
Net Debt to NTM EBITDA (x)	1.8x	3.7x	(3.4x)	0.4x	(0.2x)

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BUY:	56
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SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	56

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