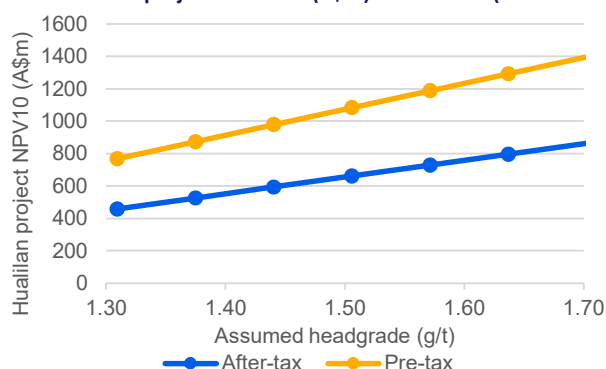


Gold exploration company with two key assets; a 100% interest at the Hualilan Gold Project in Argentina, and up to a 100% interest in the three-concessions at the El Guayabo Gold-Copper Project in Ecuador.

More gold in those hills

- For the second time in a month CEL has hit the top of Miner Deck's survey of Top Gold Intercepts (gram-meter) by ASX explorers.
- High grade zones at Hualilan in recent drilling have been extended up-dip, down-dip and along strike.
- Our modelling of Hualilan assumes that a future development would include a small underground operation and a large-scale open pit to exploit 2.1Moz at a grade of 1.31g/t made up of 1.1g/t open pit ore and 7.0g/t underground ore.
- The last two rounds of drill results and figures in the latest presentation lead us to believe that our assumptions on the grade of the deposit may be conservative and there is potential for some of the up-dip bonanza grade mineralisation to make its way into an open pit. It would also appear that there is upside to our 2.1Moz reserve assumption upon the completion of the drill program.
- Our sensitivity analysis highlights that a 10% change in the assumed grade, an increase from 1.31g/t to 1.44g/t, lifts our base project after tax NPV₁₀ by 30% from A\$457m to A\$593m (39cps -> 51cps fully diluted).**

Figure 1. After tax project valuation (A\$m) for Hualilan (FX rate 75c)



Source: Henslow estimates

Share Price \$0.35

Market Cap \$341.0m

Net Cash \$36.9m

Enterprise Value \$304.1m

Key Stats

Total Resource 627 koz AuEq

EV/Resource A\$485/oz



Source: Cap IQ

Price drivers

- Ongoing extensions of the bonanza gold zones up-dip in the Hualilan Hills and down-dip below the surface.
- The interim resource in February 2022 to update the current historic non-JORC resource.
- Scoping study and resource for Hualilan and an updated resource following the completion of the drill program in 2H22.
- Positive results from the maiden drilling campaign in Ecuador, some value attribution and a re-rating being experienced by other Ecuadorean explorers.

Hualilan

A better sense of scale

Figure 2. Southern portion of Cerro Sur (looking south)

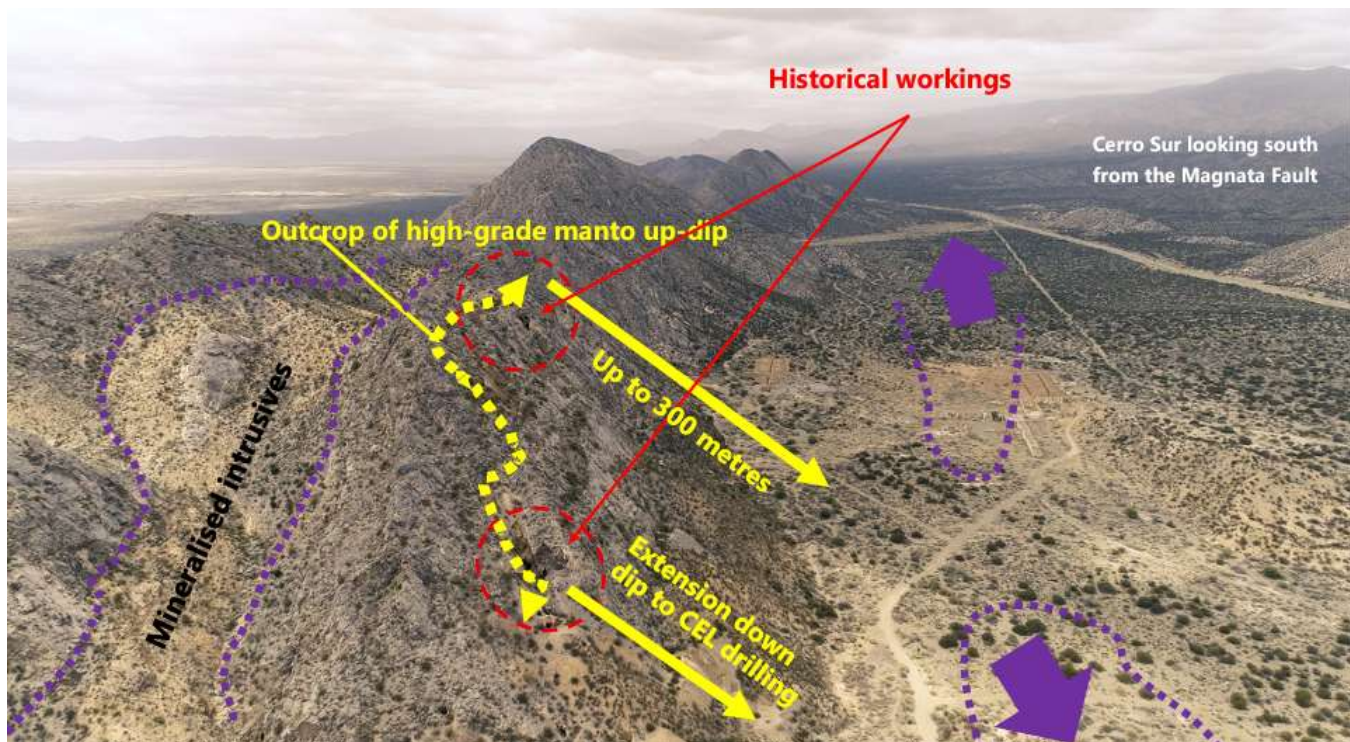
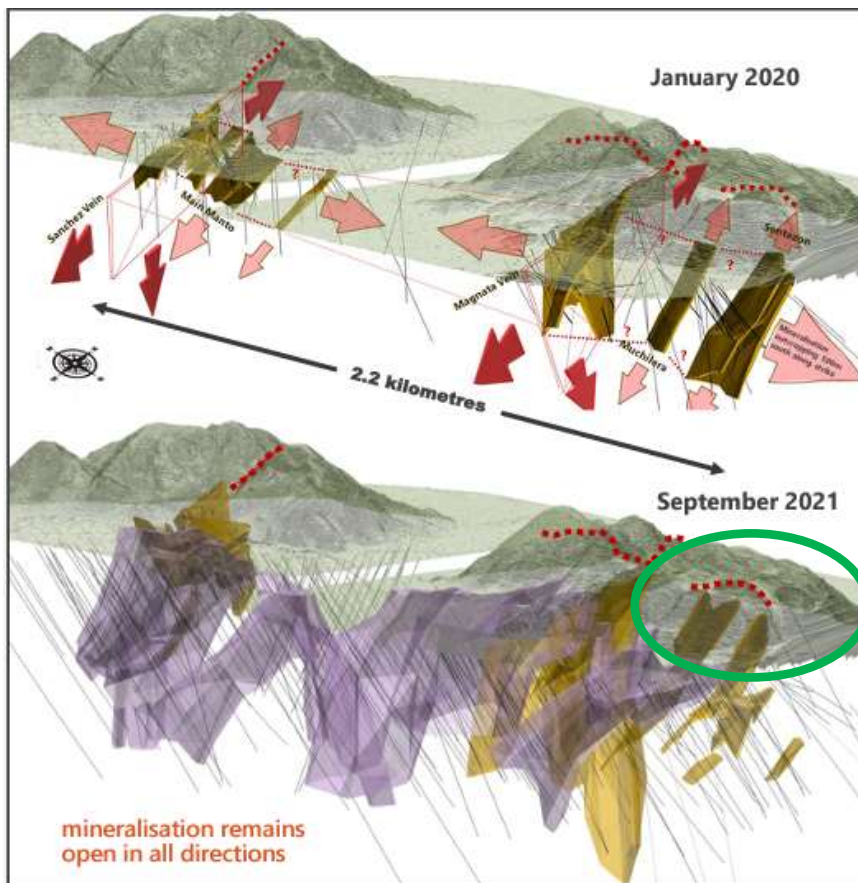


Figure 3. Cerro Norte & Cerro Sur looking north-east

Source: CEL



Source: CEL

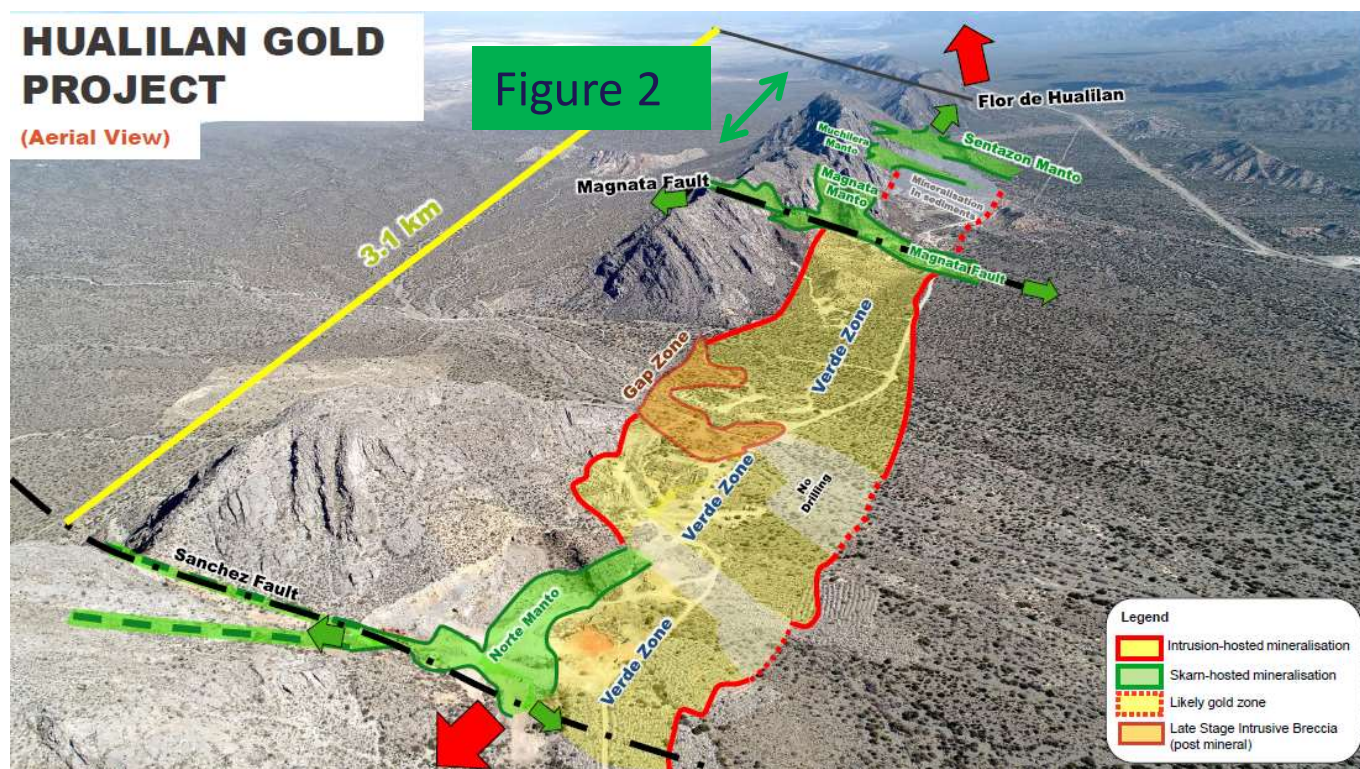
- The photo above shows the broad mineralisation outlines of the southern end of Cerro Sur also shown in the green circle to the Figure 3.
- The key takeaway is that the mineralisation is proving to be more extensive and zones being added are not just lower grade bulk mineralisation.
- The up-dip extensions to the high grade could potentially be brought into an open pit resource boosting the overall grade of the intrusion related gold mineralisation.

Hualilan continued

.. and it gets bigger

- Figure 4 below is taken in the same orientation as Figure 2 and includes the northern portion of Cerro Sur and the southern portion of Cerro Norte. It provides some perspective of the intrusion related gold mineralisation on the eastern side of the two hills and the extent of the high grade manto (replacement) style mineralisation.
- These figures also provide some perspective on why a 204,000m drill program is required to gain a better understanding of the geology, the structures and the extent and style of mineralisation. Drilling the hills also requires the exploration team to use man-portable rigs which adds to the time of mobilisation and drilling time.
- CEL has completed 111,000m of the Hualilan drill program designed to provide data for the resource definition and scoping study. Management plan to provide the market with an interim resource in February 2021 based on 50% of the drill meters.

Figure 4. Cerro Norte and Cerro Sur looking south



Source: CEL

Investment View

Unrecognised value

We believe that the market is now waiting for the release of the Hualilan resource to put the positive drill results in context.

Our development scenario of an underground and open pit development with payable gold production of 215kozpa at an AISC of US\$820/oz delivers a base value of A\$457m after tax (39cps fully diluted) at a 10% discount rate and generates an IRR of 51%. However, we believe that recent drilling illustrates the potential for the resource grade to be at least 10% higher than the 1.31g/t we have assumed. A higher grade does not lead to higher costs, the additional production and sales revenue would just flow through to the bottom line and see the project NPV increase by 30% on our base valuation.

Ecuador exploration - As discussed in our note, 21-Sept-21, we believe that the equity market is attributing no value to the Ecuadorian assets. This is probably a reflection of little of no work being done on the properties due to COVID-19 disruption to the exploration program. The company has indicated that drilling has commenced and the results of the 30 hole 20,00m program will come out over coming months as assays are received from laboratories. In our September note we used Sunstone Metals (STM.AX) which has two groups of tenements in Ecuador (5.7km²) as a proxy for the value of CEL's tenements (47.9km²) which are also prospective for copper-gold porphyry mineralisation. At that time STM had a market cap of A\$55m (EV A\$43m), an improvement in commodity prices, exploration results and news flow from other Ecuadorian explorers has seen STM's market cap. increase to A\$143m (EV A\$121m). Our attributed value for CEL's properties has increased from A\$180m to A\$254m even after reducing risk percentage from 50% to 25% due to the lack of exploration results.

CEL Base Valuation

Hualilan open pit & underground	A\$457m
Ecuador exploration	A\$254m (using 25% of STM the value per ha)
Cash & option exercise	A\$44m
	A\$750m or 65cps fully diluted

CEL Valuation with 10% higher grade at Hualilan and life unchanged at an assumed 9 years

Hualilan open pit & underground	A\$593m
Ecuador exploration	A\$254m (using 25% of STM the value per ha)
Cash & option exercise	A\$44m
	A\$886m or 76cps fully diluted

Figure 5. Base valuation sensitivity

		Discount rate						
		5%	6%	8%	10%	12%	14%	15%
Gold price (US\$/oz)	1500	731	691	622	564	515	475	457
	1600	833	787	706	638	582	534	513
	1700	935	882	790	713	648	593	569
	1750	986	930	832	750	681	623	597
	1800	1037	978	874	787	714	652	625
	1900	1139	1074	959	862	780	711	681

Source: Henslow estimates

Figure 6. 10% higher grade valuation sensitivity

		Discount rate						
		5%	6%	8%	10%	12%	14%	15%
Gold price (US\$/oz)	1500	892	842	754	681	620	568	545
	1600	1004	947	847	763	692	633	607
	1700	1116	1052	939	845	765	698	668
	1750	1172	1105	986	886	802	730	699
	1800	1229	1157	1032	927	838	763	730
	1900	1341	1262	1125	1009	911	828	791

Source: Henslow estimates

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