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Research Note

Cerrado Gold – Rising Production Sustaining Strong Cashflows; AISC up QoQ

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Rating	Target Price
BUY	**C$3.50**
Unchanged	*Unchanged*

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Disseminated on Behalf of Cerrado Gold

All figures in USD unless otherwise stated

Cerrado Gold Inc.	**CERT:TSXV**
Rating	BUY
Target Price	C$3.50
Return to Target	43%

Market Data	
Share Price	C$2.44
Average Daily TSXV Volume (K)	419.8
FD ITM Shares (M)	152.2
Market Cap ($M)	$244.3
Pro-Forma Cash ($M)	$17.3
Debt ($M)	$38.7
Enterprise Value ($M)	$265.8

FYE Dec 31	**2025A**	**2026E**	**2027E**
Revenue ($M)	$147.1	$250.1	$246.9
Adj. EBITDA ($M)	$46.2	$117.4	$127.8
Operating CF ($M)	$56.2	$69.6	$102.0
Net Income ($M)	($20.4)	$43.1	$65.0

Valuation	
Minera Don Nicolas ($M)	$367.9
Lagoa Salgada (80%) ($M)	$153.0
Mont Sorcier ($M)	$815.9
P/NAV	0.28x

	2025A	**2026E**	**2027E**
EV/EBITDA	5.8x	2.3x	2.1x
EV/CF	4.7x	3.8x	2.6x

Please refer to the applicable disclosures on the back page
Source: Atrium Research, CapitalIQ, Company Documents

Cerrado Gold is a Toronto-based gold production, development, and exploration company. The Company is the 100% owner of the producing Minera Don Nicolás and Las Calandrias mine in Santa Cruz province, Argentina. In Portugal, the Company holds an 80% interest in the highly prospective Lagoa Salgada VMS project through its position in Redcorp - Empreendimentos Mineiros, Lda. In Canada, Cerrado Gold is developing its 100% owned Mont Sorcier Iron project located outside of Chibougamau, Quebec.

What you need to know:

- CERT continued to expand production at MDN in Q2 with 15.4Koz AuEq, marking a +20% QoQ increase.
- Q2 reflected a +22% QoQ rise in revenue generation, which was offset by higher-than-forecast costs.
- Production is expected to be H2-weighted, facilitating 2026 production at the high-end of guidance and sustained strong cash flow.
- We recently initiated research coverage on Cerrado Gold. Read the full report here.

Cerrado Gold Inc. (CERT:TSXV, CRDOF:OTCQX) released its Q2 financials after-market, followed by a conference call this morning. Production was pre-reported, and revenue climbed as expected; however, costs came in above our forecast. That said, incremental improvements continue to expand production at MDN, which should facilitate production at the top of guidance, moderate costs, and sustain strong cash flows. **We are maintaining our BUY rating and target price of C$3.50/share on Cerrado Gold.**

Revenue and costs both rose. Revenue of $64.6M broadly aligned with our $63.1M forecast (+2%), increasing +22% QoQ from $53.0M on higher sales. Production costs of $29.7M came in above our expectation for $24.2M ($20.0M in Q1), resulting in income from mining operations of $22.9M vs. our $26.9M, and adjusted EBITDA of $28.2M vs. our $32.8M forecast (-14%). Net income of $9.2M was below our $16.2M estimate ($12.9M in Q1), reflecting higher-than-forecast taxes, partly offset by a gain on FX and remeasurement of MDN's stream obligation.

AISC increased QoQ from $1,348/oz to $1,933/oz, which was above our expectation for an increase to $1,673/oz; however, within the $1,800-$2,000/oz range the Company has targeted for MDN through 2028. Cash costs of $1,783/oz compared to 1,277/oz in Q1. Cost pressure included significant wage inflation and higher fuel costs in Argentina, and CERT anticipates costs will come down as production continues to ramp up, supplemented by recently implemented cost-cutting initiatives. We expect the updated PEA early next year will provide visibility on longer-term cost expectations in tandem with an extended mine life.

Production forecast at the top end of guidance. Q2's production of 15.4Koz AuEq reflected a +20% QoQ increase from 12.8Koz, and operational improvements continue to drive higher production MoM. 2026 guidance of 50-60Koz has been reiterated; however, 28.3Koz in H1 is tracking at ~57% to the midpoint, and production is anticipated to be H2-weighted, with management indicating an increasing likelihood for production at the higher end. We are forecasting 2026 production of 59.5Koz and see an opportunity to beat with further growth.

Strong cash flow expected to be sustained. As discussed in our initiation report (read here), cash flow from MDN is anticipated to strengthen the balance sheet and fund organic growth, including at CERT's development assets, which we continue to view as significantly undervalued. Q2's OCF (pre-WC) of $20.0M remained strong QoQ and compared to our $26.3M forecast, significantly up YoY from $5.6M. Capital expenditure totalled $23.2M, and CERT remained in a solid cash position with $25.3M ($31.4M at the end of Q1). Operational improvements, current gold prices, and now unhedged production are expected to allow MDN to sustain strong cash flows.

Catalysts

- MDN PEA – Q1/27
- Mont Sorcier BFS – H1/27
- Lagoa Salgada Optimized FS/Permitting Updates – TBD

	Q2/26A	Atrium Est.	Variance to Est.	Q1/26A	QoQ	Q2/25A	YoY
Revenue ($M)	$64.6	$63.1	+2%	$53.0	+22%	$29.6	+118%
Adj. EBITDA ($M)	$28.2	$32.8	-14%	$28.7	-2%	$7.4	+283%
Net Income ($M)	$9.2	$16.2	-43%	$12.9	-29%	$1.2	+647%
Operating Cash Flow (Pre-WC) ($M)	$20.2	$26.3	-23%	$20.4	-1%	$5.6	+263%
AISC (US$/oz by-product)	$1,933	$1,673	+16%	$1,348	+43%	$1,779	+9%

Figure 1: Q2 Financial Summary

Project Updates

MDN

Q2's heap leach production of 10.0Koz AuEq continued to rise as water irrigation issues subsided, and more crushed material was placed on the pad following crushing circuit improvements. Gold recoveries of 39% remained below plan; however, this material is expected to be recovered over time as more water for irrigation becomes available. Silver recoveries increased substantially QoQ to 76%. Underground development accelerated in the quarter, which should support higher production levels and head grades to the CIL plant in H2, as UG operations follow a cycle of development and ore extraction. For reference, Q2's 5.4Koz AuEq from the CIL plant reflects 99.8Kt processed at 1.53 g/t Au. With production continuing to ramp up, 2026 production is expected to be H2-weighted.

Exploration remains a key focus at MDN, which includes both high-grade UG CIL plant material and additional resources for heap leach. During Q2, all 4 new drills remained active. In July, a new UG rig arrived on site which is expected to accelerate exploration for near-mine high-grade CIL material. CERT anticipates the release of assays in the near-term. **The updated MRE and PEA remain on track for Q1/27**, which is anticipated to outline an extended mine life and expanded production profile, while also incorporating adjacent properties CERT has recently acquired including Falcon. We see this study as a key catalyst for CERT.

Lagoa Salgada

CERT continues to advance an optimized feasibility study, permitting, and project financing. Work slowed in Q2 due to uncertainty with permitting, and legal proceedings regarding environmental permitting are ongoing. **CERT expects the timing of the feasibility study to be delayed** until further clarity is received with regards to permitting, which was previously guided for Q3/26. Our forecast for construction commencement in H2/27 and first production in H1/29 is unchanged; however, we see some risk if permitting uncertainty is prolonged.

Mont Sorcier

In Q2, work continued to progress on the **BFS targeted for H1/27**, which will outline an 8Mtpa operation (5Mtpa in PEA). Recall, CERT decided to revise the timing of the study until then to evaluate opportunities to optimize economics and costs on the back of industry-wide inflation. The most significant opportunity is the conversion of modest Inferred resources to Measured, located east of the planned pit, to reduce stripping and tailings management costs. CERT plans to complete targeted definition drilling this quarter. The Company is also conducting trade-off studies on product quality and a broader review of OPEX and CAPEX. Work on the ESIA is ongoing, which CERT still plans be file in Q2/27; however, management has indicated some risk to timing. That said, recent policymaker commentary suggests a desire to accelerate the permitting process. We continue to forecast first production in 2031.

Conference Call Takeaways

- Q2 continued a trend of increasing production and cash flows, which is further supplemented by higher gold prices and CERT's unhedged position.
- The initial effect of implementing cost-cutting measures contributed to the higher AISC in Q2, which should help offset increased labour costs going forward, as Argentina has seen ~30% annualized inflation.
- Management noted an increased chance 2026 production comes in at the high-end of guidance (50-60Koz), driven by expanded production on the leach pads and an expansion of production from underground.
- The Company continued to advance its 50,000m surface and 20,000m UG drill programs at MDN in the quarter, which will guide and updated MRE and PEA in Q1/27, anticipated to outline an extended mine life.

Why We Like CERT

- CERT has three multi-jurisdictional assets, one of which is an operating gold mine in Argentina with strong cash flow and expanding production.
- Substantial growth is supported by a low-cost VMS project in Portugal and a world-class iron ore project in Quebec, both steadily advancing.
- Growth can be achieved with minimal shareholder dilution with visibility on low-cost project financing for majority of capex.
- The valuation disconnect is clear, as CERT receives no value for its development pipeline.

Tear Sheet

Market Data	
Ticker	CERT:TSXV
Stock Price	C$2.44
Rating	BUY
Target Price	C$3.50
P/NAV	0.28x
Market Cap ($M)	$244.4
Cash ($M)	$17.3
Debt ($M)	$38.7
EV ($M)	$265.8

Capital Structure	
Basic Shares Outstanding (M)	138.1
Warrants (M)	0.0
Options, RSUs, DSUs (M)	14.1
FD Shares (M)	152.2
FD ITM Shares (M)	152.2

Production Estimates (FY)	2025A	Q1/26A	Q2/26A	Q3/26E	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E	2028E
Don Nicolas												
Gold Production (Koz)	**47.0**	11.0	13.5	13.7	14.0	**52.3**	12.5	12.5	12.5	12.5	**50.0**	**52.3**
Silver Production (Koz)	**270**	100	121	112	112	**445**	87	87	87	87	**349**	**348**
AISC (US$/oz by-product)	**$1,746**	$1,348	$1,933	$1,823	$1,792	**$1,733**	$1,916	$1,916	$1,916	$1,916	**$1,916**	**$1,942**
Lagoa Salgada												
ZnEq Production (Koz)	-	-	-	-	-	-	-	-	-	-	-	-
AISC (US$/oz ZnEq)	-	-	-	-	-	-	-	-	-	-	-	-
Mont Sorcier												
Iron Ore Production (Kt)	-	-	-	-	-	-	-	-	-	-	-	-
AISC (US$/t conc)	-	-	-	-	-	-	-	-	-	-	-	-

Financial Estimates (FY)	2025A	Q1/26A	Q2/26A	Q3/26E	Q4/26E	2026E	Q1/27E	Q2/27E	Q3/27E	Q4/27E	2027E	2028E
Revenue ($M)	**$147.1**	$53.0	$64.6	$64.3	$68.2	**$250.1**	$61.7	$61.7	$61.7	$61.7	**$246.9**	**$242.4**
Adj. EBITDA ($M)	**$46.2**	$28.7	$28.2	$28.3	$32.2	**$117.4**	$32.0	$32.0	$32.0	$32.0	**$127.8**	**$119.5**
Net Income ($M)	**($20.4)**	$12.9	$9.2	$8.6	$12.4	**$43.1**	$16.7	$17.0	$15.9	$15.5	**$65.0**	**$53.5**
EPS (Basic)	***($0.16)***	*$0.09*	*$0.07*	*$0.06*	*$0.09*	***$0.32***	*$0.12*	*$0.12*	*$0.12*	*$0.11*	***$0.47***	***$0.39***
Operating Cash Flow ($M)	**$56.2**	$17.2	$11.6	$18.5	$22.3	**$69.6**	$25.3	$25.4	$25.3	$26.0	**$102.0**	**$96.9**
Capex ($M)	**$19.7**	$9.9	$14.7	$17.0	$12.0	**$53.6**	$15.3	$15.3	$29.3	$29.3	**$89.2**	**$149.4**
Free Cash Flow ($M)	**$21.2**	$1.8	($8.6)	$1.5	$10.3	**$5.0**	$10.1	$10.1	($4.0)	($3.3)	**$12.9**	**($52.5)**

Figure 2: Tear Sheet

	Q3/26E		Q4/26E		2026E		2027E	
	New	Previous	New	Previous	New	Previous	New	Previous
Revenue ($M)	**$64.3**	$69.0	**$68.2**	$70.2	**$250.1**	$255.3	**$246.9**	$246.9
Adj. EBITDA ($M)	**$28.3**	$32.3	**$32.2**	$33.4	**$117.4**	$127.1	**$127.8**	$127.8
Net Income ($M)	**$8.6**	$16.1	**$12.4**	$17.0	**$43.1**	$62.2	**$65.0**	$66.1
Operating Cash Flow ($M)	**$18.5**	$25.7	**$22.3**	$26.6	**$69.6**	$95.7	**$102.0**	$102.6
Free Cash Flow ($M)	**$1.5**	$7.2	**$10.3**	$13.1	**$5.0**	$29.8	**$12.9**	$13.5

Figure 3: Estimate Revisions

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