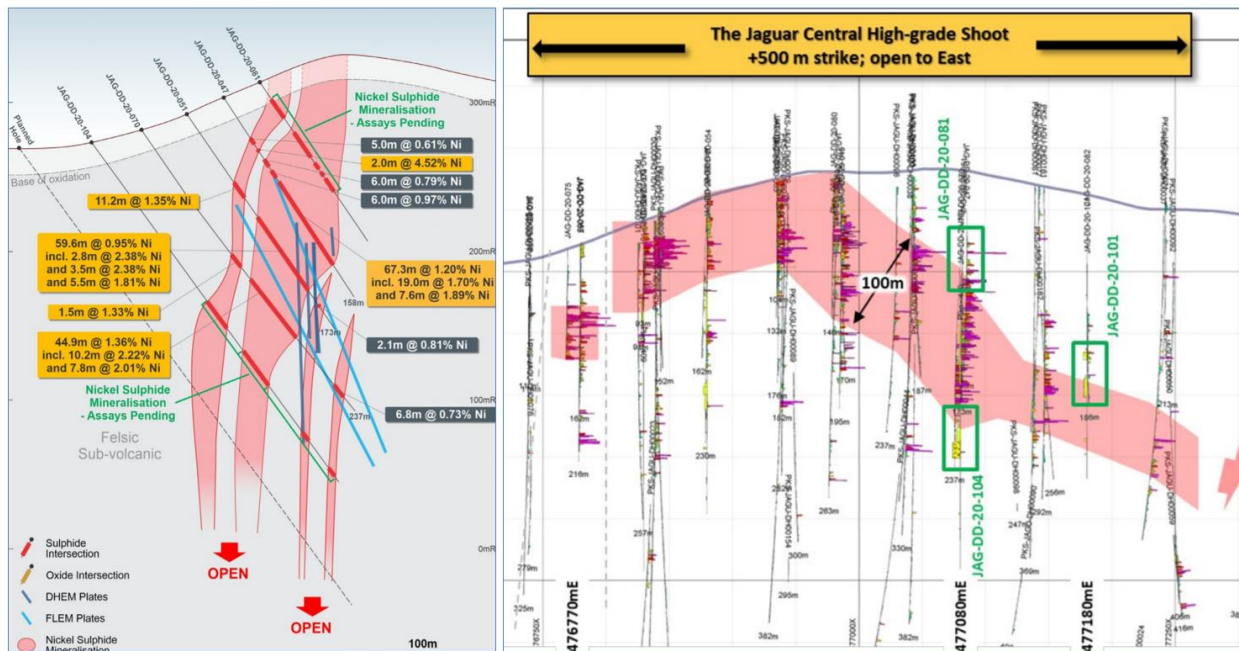


**Ticker:** CTM AU      **Cash 3Q20:** US\$27m      **Project:** Jaguar  
**Market cap:** A\$200m      **Price:** A\$0.615/sh      **Country:** Brazil  
**RECOMMENDATION (unc):** BUY      **TARGET (unc):** C\$0.90/sh      **RISK RATING:** HIGH

The big picture from today's impressive 30m of visuals outside the resource are that despite having an existing global resource of 534kt Ni metal @ 1.1%, the existing deposit remains very much open in our view, even ahead of regional RC drilling. Although pre-assay, the 30m of semi- to massive-sulphide drilled at Jaguar Central has two key implications beyond simple metal growth. Firstly is continuity of the gentle plunging thick near-surface main shoot, which now extends over 500m strike. The second implication by association is potential for UG mineralisation there. Although deep-roots are present by virtue of being a hydrothermal system, the higher-grade together structures of Onca Rosa / Preta arising from being granitoid hosted led us to only expect underground mining there. Today's hit is only ~173m below surface so is likely pitable, but if grade and width matches visual endowment and continues down-plunge, it could support future UG mining here. The deeper hole, another 100m along strike, has a thinner interval but is a little 'above' the shoot so deeper drilling there could improve grades. **We maintain our BUY rating and A\$0.90/sh PT** based on 0.5xNAV<sub>7%-14,000</sub> with no underground. At the Onca deposits, we expect ≥2.5Mtpa on a larger ~1% low-strip operation as well as bolt-on underground(s). We currently only model a pit-only 15Mt @ 1.5% inventory and 1.5Mtpa plant for <20ktpa Ni, but with commensurately high 8:1 strip. Given the current resource is only based on Vale's drilling and <10 holes from CTM for <80,000m total, we see good potential for resource growth in the new year to underpin a revised production model for us. The actual Scoping Study later in 1Q21 should be a catalyst to unlock this in for Centaurus.

**Figure 1. Jaguar Central cross- and long-section showing high-grade shoot in red, new holes in green**



Source: Centaurus Metals

**30m of semi- to massive sulphide shows that despite 534kt Ni contained, Jaguar is still growing**

Centaurus has announced the intersection of 30m of semi- to massive nickel sulphides down-plunge on the emerging high-grade shoot at Jaguar Surface. The drill hole hit two intervals ranging from 181-211m down hole (~173m deepest given -55 drill-hole dip) and extends the shoot to over 500m strike. A further hole has intersected mineralisation another 100m along strike from the headline hole, intersecting 17m of semi-massive mineralisation. This core will be sent for assay to be included in the January 2021 resource update.

## Why we like Centaurus Metals

1. Metal in the ground dwarfs peers, with potential for open pit and underground
2. Good logistics with rail nearby in a well-known mining jurisdiction
3. FLEM targeting means strong resource growth per metre drilled
4. Top quality low As, low Mg product

## Catalysts

1. 4Q20: Regional exploration at high priority targets
2. 1Q21: Updated resource and scoping study
3. 2020: Expected commencement of PFS pending internal scoping study
4. 2Q21: Lodge environmental license

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<b>Ticker:</b> CTM AU	<b>Price / mkt cap:</b> A62c/sh / A\$200m	<b>P/NAV today:</b> 0.39x	<b>Country:</b> Brazil
<b>Author:</b> B Salier	<b>Rec/0.5xNAV7% PT:</b> BUY, A90c/sh	<b>1xNAV7%4Q21 FF FD:</b> A\$1.10c/sh	<b>Asset:</b> Jaguar

Commodity price	CY20E	CY21E	CY22E	CY23E	CY24E
Ni price (US\$/t)	14,000	14,000	14,000	14,000	14,000
Ni price (US\$/t, payable)	10,500	10,500	10,500	10,500	10,500
1xNAV project valuation*	A\$m	o/ship	NAVx	A\$/sh	
Jaguar NPV (build start)	498	100%	0.5x	0.68	
UG expln (4% in-situ ex SCP mined)	41	100%	1.0x	0.11	
Cash 3Q20	26.9	100%	1.0x	0.07	
Cash from ITM options	6.0	100%	1.0x	0.02	
<b>1XNAV A\$ @ 4Q20</b>	<b>A\$572m</b>			<b>0.88</b>	

\*Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.39x

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

Asset NPV (A\$m)	11,500	12,750	14,000	15,250	16,500
9.0% discount	187	309	431	553	676
7.0% discount	230	364	498	631	765
5.0% discount	279	427	574	722	869
Ungeared project IRR:	21%	28%	35%	42%	48%
Asset NPV @ 1.5% (A\$m)	10.0Mt	12.5Mt	15.0Mt	17.5Mt	20.0Mt
US\$12,750/t	230	297	364	430	497
US\$14,000/t	320	409	498	587	676
US\$15,250/t	409	520	631	743	854
Avg production (Kt Ni pa):	12.0	13.2	14.4	15.6	16.8
Asset NPV @ 15Mt (A\$m)	1.00%	1.25%	1.50%	1.75%	2.00%
US\$12,750/t	(31)	167	364	561	757
US\$14,000/t	59	278	498	717	936
US\$15,250/t	148	390	631	873	1,114
Avg production (Kt Ni pa):	18.0	21.0	24.0	27.0	30.0

\*Project level NPV, excl finance costs and central SGA, discounted to build start

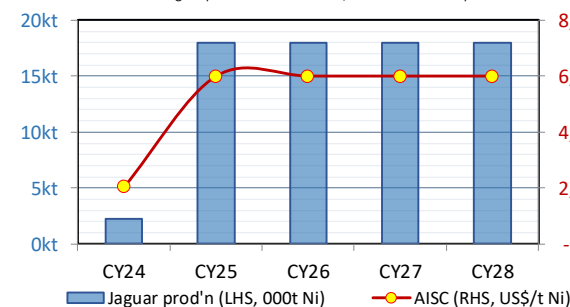
SOTP company valuation	4Q20	4Q21	4Q22	4Q23	4Q24
Jaguar NPV	415	444	477	597	805
Centra G&A and finance cost	(46)	(41)	(37)	(37)	(22)
Net cash prior quarter	26.9	19.3	13.3	49	(102)
Cash from ITM options	6.0	6.0	6.0	6.0	6.0
NAV (A\$m)	402	428	459	615	687
FD share count (m)	366	366	497	497	497
1xNAV7%/sh FF FD (A\$/sh)	1.10	1.17	0.92	1.24	1.38
ROI (% pa)		90%	23%	26%	22%

### Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^

1xNAV (A\$/sh)	11,500	12,750	14,000	15,250	16,500
9.0% discount	0.69	0.97	1.24	1.52	1.80
7.0% discount	0.75	1.04	1.34	1.64	1.93
5.0% discount	0.82	1.13	1.45	1.76	2.08

Production (Y1 from 3Q2)	CY24	CY25	CY26	CY27	CY28
Jaguar production (000kt Ni)	2.3	18.0	18.0	18.0	18.0
C1 cost (US\$/t Ni)	1,946	5,803	5,803	5,803	5,803
AISC cost (US\$/t Ni)	2,040	5,991	5,991	5,991	5,991

AISC = C1 + sustaining capex + central G&A, C3 = AISC + depreciation



Source: SCP estimates

Resource/Inventory	Mt	Ni %	Mt	Ni %
	2Q20 JORC		SCP inventory	
M&I	11.5	1.29%	15.0	1.50%
Inferred	36.4	1.01%		
Total	48.0	1.08%	Total	15.0 1.5%

Funding: uses	Funding: sources		
Capex (A\$m)	225	Cash 2Q20 (A\$m)	26.9
Drilling/FS cost (A\$m)	14.4	SCPe debt (A\$m)	135.2
Working capital (A\$m)	-	SCPe DFS equity @ spot (A\$m)	24.5
G&A and fin. cost (A\$m)	5.9	SCPe equity, 40% prem. (A\$m)	112.7
Total uses: group (A\$m)	245.7	Total sources (A\$m)	299.3

Share data (m)	Basic	FD	3Q22 (FF FD)
Shares (m)	325.8	366.2	497.1

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Shares out (m)	325.8	325.8	497.1	497.1	497.1
EPS (Ac/sh)	-	-	-	-	-
CFPS before w/c (A\$/sh)	-	-	-	-	-
EV (A\$m)	175.6	182.9	292.9	295.2	422.8
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	47.9x

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Revenue (A\$m)	-	-	-	-	33.3
COGS (A\$m)	-	-	-	-	23.4
<b>Gross profit (A\$m)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9.9</b>
G&A (A\$m)	1.3	1.3	1.7	2.0	1.0
Exploration (A\$m)	6.8	6.0	3.0	-	-
Finance costs (A\$m)	-	-	-	-	11.8
Tax (A\$m)	-	-	-	-	0.6
Other (A\$m)	0.3	0.4	0.4	0.4	2.9
<b>Net income (A\$m)</b>	<b>(8.4)</b>	<b>(7.7)</b>	<b>(5.1)</b>	<b>(2.4)</b>	<b>(6.4)</b>

Cash flow statement	CY20E	CY21E	CY22E	CY23E	CY24E
EBITDA (A\$m)	(8.4)	(7.7)	(5.1)	(2.4)	8.8
Add share based (A\$m)	0.3	0.4	0.4	0.4	0.1
Net change wkg cap (A\$m)	-	-	-	0.3	10.3
<b>Cash flow ops (A\$m)</b>	<b>(8.1)</b>	<b>(7.3)</b>	<b>(4.7)</b>	<b>(2.3)</b>	<b>(13.8)</b>
PP&E - build + sust. (A\$m)	0.5	-	-	112.7	113.8
PP&E - expl'n (A\$m)	-	-	-	-	-
<b>Cash flow inv. (A\$m)</b>	<b>(0.5)</b>	<b>-</b>	<b>-</b>	<b>(112.7)</b>	<b>(113.8)</b>
Share issue (A\$m)	24.8	-	-	112.7	-
Debt draw (repay) (A\$m)	-	-	-	-	135.2
<b>Cash flow fin. (A\$m)</b>	<b>24.8</b>	<b>-</b>	<b>-</b>	<b>112.7</b>	<b>135.2</b>
Net change in cash (A\$m)	15.1	(7.3)	(4.7)	(2.3)	7.6

Balance sheet	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (A\$m)	24.8	17.5	12.8	10.5	18.1
Acc rec. + invet. (A\$m)	0.3	0.3	0.3	0.1	18.0
PP&E & expl'n (A\$m)	4.5	4.5	4.5	117.2	228.2
<b>Total assets (A\$m)</b>	<b>29.6</b>	<b>22.3</b>	<b>17.6</b>	<b>127.7</b>	<b>264.3</b>
Debt (A\$m)	-	-	-	-	135.2
Accounts payable (A\$m)	0.6	0.6	0.6	-	7.7
Others (A\$m)	25.1	17.7	13.0	10.5	36.1
<b>Total liabilities (A\$m)</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>0.5</b>	<b>143.4</b>
Shareholders' equity (A\$m)	153.7	154.1	154.5	267.5	267.6
Reserves (A\$m)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)
Retained earnings (A\$m)	(118.5)	(126.2)	(131.3)	(133.7)	(140.1)
<b>Liabilities + equity (A\$m)</b>	<b>29.6</b>	<b>22.3</b>	<b>17.6</b>	<b>127.7</b>	<b>264.3</b>

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BUY:	26
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	27

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