

Centaurus Metals Ltd

(CTM \$0.78) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Jon Bishop	30 th March 2021	\$1.15/sh

Comprehensive Scoping Study Highlights Jaguar's Potential

Investment case

The Scoping Study is a very comprehensive (but importantly), initial review of the Jaguar asset's development potential. We see this to represent a de-risking event in that it presents third party validation of potential project economics. It should also serve to consolidate the market's understanding of the base asset valuation but importantly, reinforce the low cost and size of the project. Additional work streams will result in an optimisation study in the coming weeks, to highlight the value enhancement opportunity via additional refining circuits (POX to produce Ni matte). Drilling otherwise remains active, providing on-going news-flow leading to additional Resource tonnes and confidence when re-calculated in Sep Q. Speculative Buy maintained: Jaguar has the Resource footprint to underwrite a 20yr operation on what we know today. It remains cheap vs the peers on Ni Resource inventories and trades at below 50% of the NAV comprehensively outlined in today's Scoping Study.

Key points

- CTM has delivered a highly detailed Scoping Study for a nickel sulphide development of its flagship Jaguar Project, Brazil;
- We have summarised the key operating and financial metrics and new assumptions, vs our prior numbers in the table below:

		EHSL OLD	EHSL NEW	Actual
Pre-prod Capex	US\$m	150	178	178
Forex	US\$	0.75	0.75	0.75
Sustaining capex	US\$	135	138	138
Throughput	mtpa	2.7	2.7	2.7
Availability	%	98	91.3	91.3
Total T Treated	mT	33	29.6	24
Grade	Ni %	1.1	1.1	1.1
Recovery	%	80	78	78
Production	kt pa	23	20	20
Total	kt	254	254	203
Mine Life	Yrs	12	12	10
OPEX		55	45	45
Open pit	US\$/t	55	35	35
Underground	US\$/t	90	70	68
By-Product Credit	US\$/t	n/a	-1.00	-1.07
AISC payable	US\$/lb	4.8	4.67	4.49
LT Ni Price	US/lb	8	8	7.5
Payability	%	73	75	75
Av EBITDA pa	A\$m	236	219	164
Tax Rate	%	34	20	15
NPV10	A\$m	723	722	604*
Discount factor	%	50%	50%	na
Valuation	A\$m	361	361	

*NB: NPV8

Centaurus Metals Ltd	Year End 30 June	
Share Price	\$0.78	A\$/sh
Issued Capital		
Fully Paid Ordinary	329.5	m
Listed Opts (ex @ \$0.18/sh May'21)	25.5	m
Unlisted Options	12.1	m
Total Dil FP Ord	367.00	m
Market Capitalisation	289.9	A\$m
Enterprise Value	264.9	A\$m
Cash (est Dec 20)	25.0	A\$m
Debt	Nil	A\$m

Directors

D. Murcia	NE Chairman
D. Gordon	Mgr Director
B. Scarpelli	Ex Director
M. Hancock	NE Director
C. Banasik	NE Director

Shareholders

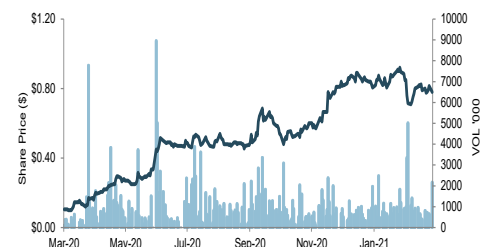
Top 20	59%
Dir & Mgt	4%

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West Perth WA 6005
Telephone: +61 8 6424 8420
Email: office@centaurus.com.au

Website: www.centaurus.com.au

Share Price Chart



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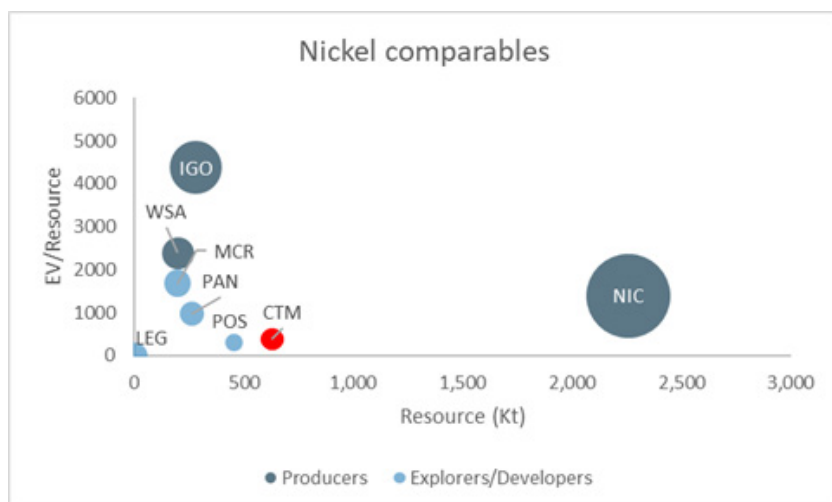
- We highlight key departures being: NPV discount (8% vs EHSL - 10%); Ni price (US\$7.50/lb vs US\$8.00/lb) LOM (10yrs vs 12yrs); higher upfront capex but lower AISC, and lower tax rate;

Strategic & Green

- Jaguar's strategic value - with respect to bifurcation of the nickel market ie NPI vs sulphide - is emphasised noting:
 - 15.8% Ni conc grade; and
 - +9:1 Fe:MgO ratio with low deleterious elements;
- Green credentials (beyond the alignment of Ni Sulphide development with the EV battery thematic) are highlighted via the low cost, largely hydroelectric processing energy base;
- The pending Value Enhancement Study (considering POx) will present a low CO2 footprint pathway to producing battery grade refined product;

Valuation Impact & Upside

- Our Valuation reduces slightly to \$1.10/sh (from \$1.12/sh) due largely to the change in Cash (\$20.5m vs \$20m last pub);
- Four DD rigs in operation and a new RC rig due at the project shortly - CTM will complete 65km of drilling over the remainder of the CY.
- This is material noting the Project has 75km of drilling completed on it to date;
- Combined with the existing 562.6kt Ni Resource (vs the 260kt contained Ni as the basis for the Scoping Study), there appears material upside to the scope to operating life;
- CTM is well funded with a cash balance of ~\$20m and \$5m of unpaid capital from ITM and vested options;
- Key catalysts remain the release of the following:
 - On-going drilling and assay results;
 - Optimised Scoping Study (due Jun Q CY'21);
 - Resource update (due Sep Q CY'21);
- Our Price Target of \$1.15/sh remains: The CTM investment is simply that Jaguar is a very large, low cost development opportunity with clear scope to build an operation towards 20yrs;
- It is fundamentally cheap compared to the ASX peers:



- Speculative Buy retained.

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Analysis

CTM has delivered its maiden Scoping Study for the Jaguar Ni Sulphide Project in Brazil.

We have articulated the key financial and operating metrics in the table above and outline our revised assumptions. Little has changed in terms of our SOTP Valuation with the new inputs with higher capex offset by a lower corporate tax rate and operating costs.

The CTM investment is simple: Jaguar is a very large, low cost development opportunity with clear scope to build an operation towards 20yrs.

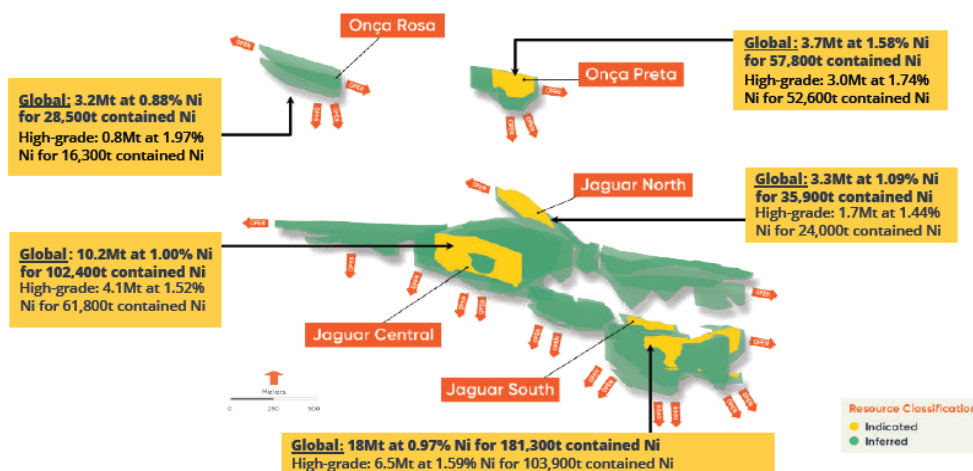
The Scoping Study already underscores the Project's economic merits however we see short to medium basis to realise further upside.

And given the scale potential, if the equity markets continue to miss the opportunity, then industry surely fills the void, particularly with one eye on the growth to the Ni sulphide demand construct through the decade.

UPSIDE TO PROJECT ECONOMICS

1. Resource Upside

We note that the Scoping Study only considers 260kt of Ni in ore vs the Resource of 562kt Ni. As depicted below, this follows the study considering tonnage within or proximal to the current Indicated Resource inventories (c40% of the total):

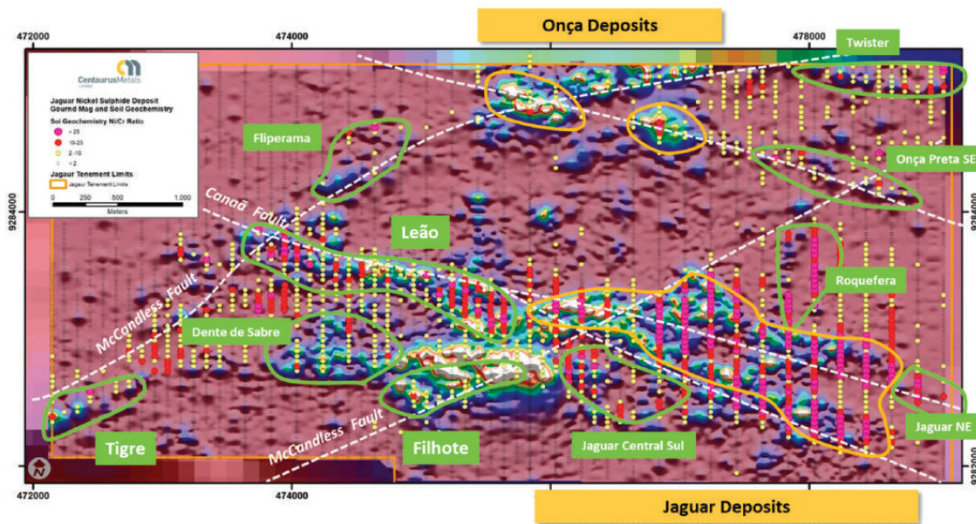


CTM is undertaking a further 65km of drilling (via 4 diamond rigs and an RC rig) over the remainder of 2021. 20km of which will focus on infill (boosting Inferred to Indicated Resource conversion) and extensional drilling. A further 15km will test step-out brownfields extensional targets.

2. Exploration Potential

CTM is undertaking a further 65km of drilling (via 4 diamond rigs and an RC rig) over the remainder of the year. The program includes 25km of regional exploration drilling. As noted above, this is material noting:

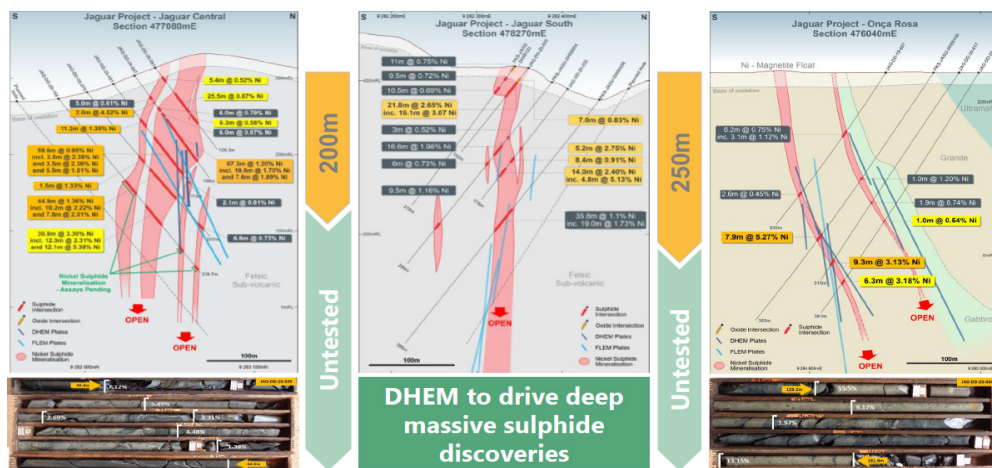
- the 75km drilled to take Jaguar to this point;
- the strong conformance of geophysics (Electromagnetics) to mineralisation;
- the proliferation of structure - a clear control over the Resource geology to date - and its conformance to geophysical responses:



3. Project Optimisation

We material upside to opex assumptions noting that the numbers presented are industry benchmarked and do not account for in-country labour costs and currency benefits. Whilst open pit Resource inventory growth will likely displace and defer underground development (and assoc. capex and opex).

However, we also note that the Scoping Study includes only two UG developments whereas up to five opportunities exist beneath the planned open pits. Drilling this year will look to test the tenor of these opportunities at depth and therefore represent a low risk opportunity to beneficiate LOM grade profile (and thus av cost).



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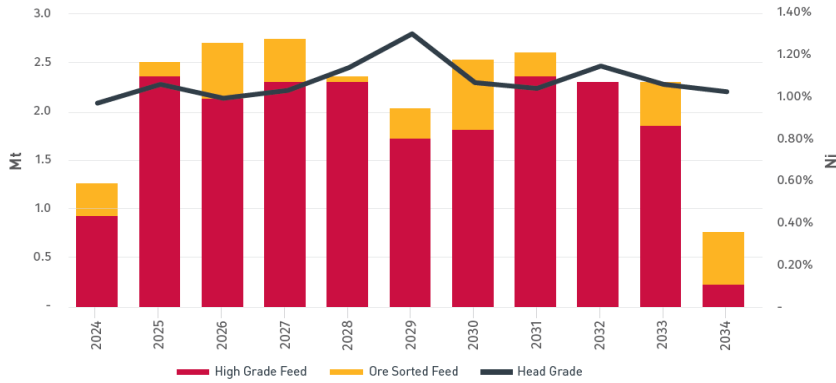
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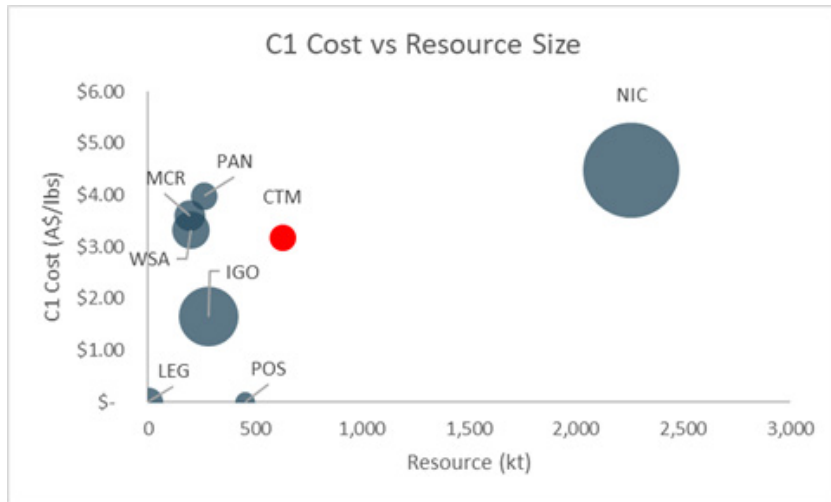
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Mine sequencing and more selective mining methods plus optimisation of the 'back-end' of the flow sheet, may help to limit the need or reliance upon ore sorting to limit the impact (on recoveries) of low grade ore taken with the mining blocks considered in the Scoping Study:



As noted above, Jaguar compares well to the ASX peer group in terms of Resource size vs EV. It is equally compelling by virtue of the low cost nature of open pit mining presented on an unoptimized basis:



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4. Downstream Processing

Value Enhancement Studies will culminate in a parallel study being released in the coming weeks, that will consider the impact of further downstream processing via Pox to produce (at least) Ni matte and investigate sulphate production to directly service the battery market.

The ability of the Project to produce refined Ni matte or even sulphate translates to material improvement to payability. We assume 75% for the purpose of our Jaguar valuation, whereas Ni matte would attract 100% of Ni LME and sulphate a premium.

At the very least, the work introduces competitive tension into offtake discussions as the Project moves through feasibility and bankability.

TIMELINE & KEY MILESTONES

The Company will lodge environmental studies to secure the key environmental license.

The PFS is targeting mid FY'22 and a DFS 12mnths hence.

A decision to mine is targeting Dec H 2023 with the Scoping Study forecasting first ore in Dec H 2024.

We present our Valuation of the Project as a whole, discounting our NPV10 of forecast cashflows by 50% to capture:

- further refinement of project economics through the feasibility process;
- cum-financing;
- discount for time to first cashflows.

On that basis, CTM is trading below 50% of fair value on both EHSL's as well as its own NPV8 after tax project valuation.

Speculative Buy maintained.

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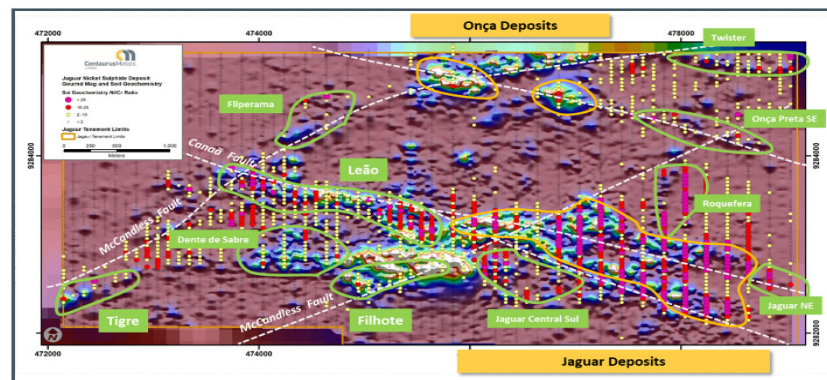
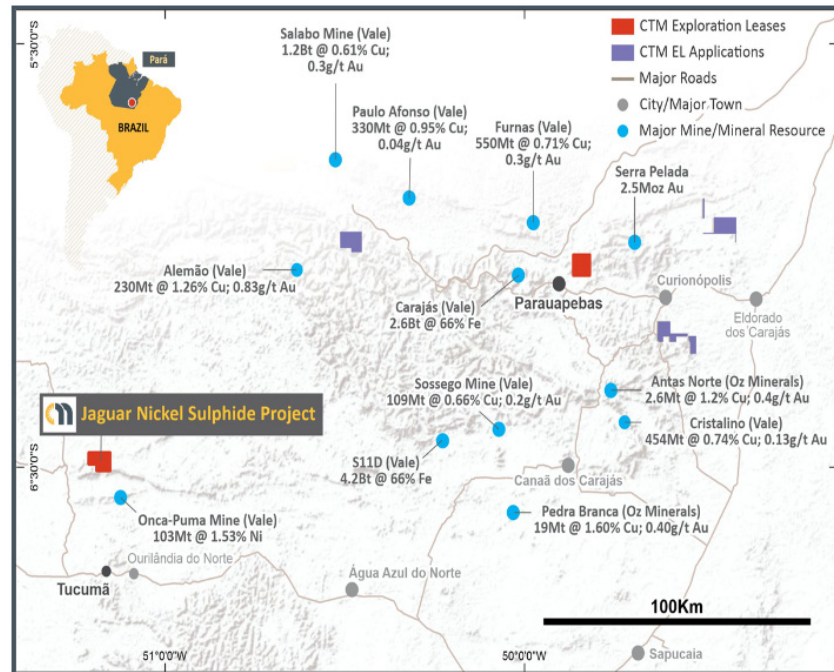
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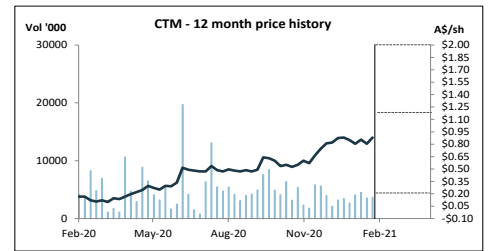
Key Variables

Euroz Forecast	FY'19a	FY'20	FY'21	FY'22	FY'23	FY'24
AUDUSD	\$0.72	\$0.67	\$0.75	\$0.75	\$0.74	\$0.74
Gold US\$/oz	\$1,263	\$1,563	\$1,872	\$1,900	\$1,800	\$1,700

ASSET VALUATION		
Valuation	A\$m	A\$/sh.
(+) Jaguar Nickel (50% Risk Adj.)	361	\$0.98
(+/-) Hedging	0	\$-
(-) Corporate	-32	-\$0.09
(+) Exploration	50	\$0.14
(-) Debt	0	\$-
(+) Unpaid Capital	5	\$0.01
(+) Cash	20	\$0.05
Valuation	404	\$1.10



Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$1.10/sh

Price Target - \$1.15/sh

Bull Scenario - \$2.00/sh

CTM continues to build mineral resource inventories at Jaguar, expanding and or extending the potential development of the asset. Rising nickel prices continue to provide a supportive back drop. The Project is successfully banked and commissioned in due course and the Jambreiro Fe ore asset realises value.

Base Scenario - \$1.15/sh

CTM successful banks and develops a Ni sulphide operation at Jaguar, broadly in-line with our preliminary economic assumptions.

Bear Scenario - \$0.20/sh

Nickel prices fall to prices seen last decade of around US\$4-5/lb, thereby slowing development progress at Jaguar.

Company Summary

Centaurus Metals Limited engages in the exploration and evaluation of mineral resource properties in Brazil and Australia. The Company's flagship asset is the Jaguar Nickel Sulphide Project located in the Carajás Mineral Province in northern Brazil. CTM is undertaking a major drilling program which culminated in the delivery of an updated Mineral Resource Estimate for the Project in February 2021 of 58.6Mt grading 0.95% Ni for 557,800t of contained nickel. It also has the development ready, Jambreiro Iron Ore Project (PFS - 1mtpa mining operation).

Disclaimer

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