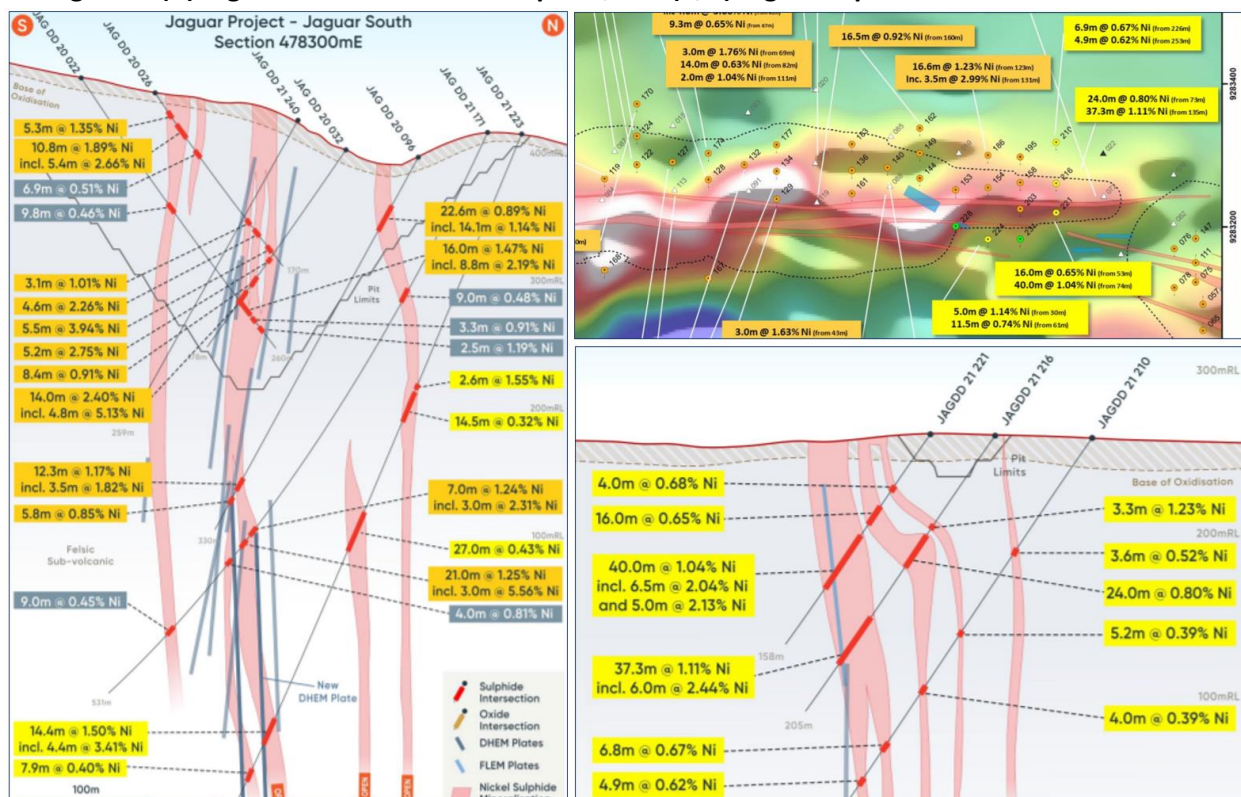


Ticker: CTM AU **SCPe cash:** ~A\$78m **Project:** Jaguar
Mkt cap: A\$486m **Price:** A\$1.15/sh **Country:** Brazil
RECOMMEND (unc): BUY **TARGET (up):** A\$2.60/sh **RISK RATING:** HIGH

Drilling: From this week's drilling, the standout result of **40m @ 1.16% NiEq** and **14m @ 2.3%**, from Jag West and South, respectively, are all about **roots and strike**. The wider 40m @ 1.16% NiEq is not only shallow, it lies on the eastern most section of the Jaguar West, pointing to localised 'jewel boxes' that likely support Jag West and Jag Central pits joining up. Meanwhile 14m @ 2.3% at Jaguar West hit >100m below previous deepest drilling, itself ~100m below the pit-constrained resource. We had always hoped for UGs at Onca Puma/Rosa as they are granitoid hosted (higher grade) so an emerging UG at Jag West is a material positive, also speaking to the success of down-hole EM. In fact, at Onca Preta, visible sulphides ~400m below surface, pending assay, point to similar upside there. With 10 rigs moving to 14 and down-hole EM 'working', results should come quickly. **Raise:** post A\$75m equity, reserve conversion drilling and the 4Q22 DFS are fully funded, leaving CTM with headroom for aggressive down-dip and greenfield drilling.

Including +15% for exploration upside, our 1xNAV_{7%-85c/lb} drops from 450c/sh to 405c/sh from equity dilution, but lifts to 586c/sh at spot US\$22,730/t (\$10.31c/lb), ie **equity dilution downside is ~4x outweighed by nickel price rises**. We previously valued Centaurus at 0.5xNAV_{7%*8.50} asset valuation, ie diluted for options but not build. With funding to FID in place, equity dilution to build can be better estimated, so we move to a fully-funded fully-diluted (FF FD) valuation, deducting central G&A, finance costs and working capital based on 65% gearing / ~A\$260m debt, solving for A\$140m equity and lift our 0.5xNAV multiple to 0.6xNAV now share count is diluted for build. Also, we lift our flat-forward nickel price assumption from US\$8.50/lb to US\$9.50/lb (8% under spot, notably <half of 2007 \$50k/t highs). As such, **we maintain our BUY rating, lifting our PT from A\$2.50/sh to A\$2.60/sh based on 0.6xNAV_{7%*9.50}**. Looking forward, the catalysts are very simply drill success, followed by a mid-year MRE and 2H22 DFS. More simply, nickel prices and our estimated 0.23xNAV current valuation give fundamental and value support.

Figure 1. (A) Jag South cross-section deep hits, and (B/C) Jag West plan and section shallow hits



Source: Centaurus

40m @ 1.2% shallow drilling, plus A\$75m equity for 14 rigs and year-end DFS at just 0.23xNAV

Drilling: Centaurus has released drilling from Jag Central (3, incl. **10.7m @ 0.75% NiEq**), Jag NE (4, incl. **8.3m @ 0.75%**), Jag South (3, incl. **14m @ 2.3%**), Jag West (5, incl. **40m @ 1.2% & 6m @ 2.7%** within **37m @ 1.23%**), Onca Preta (3, incl. **8m @ 2.4%** within **23m @ 1.38%**) and Tigre (3, incl. **3m @ 1.3%**), with average splits of 87-8 Ni-Co with minor Cu/Zn credits. Equity raise: last week Centaurus raised A\$75m at A\$1.16/sh to fund the DFS and for pre-development and financing pre FID, including >90,000m of drilling in CY22 ahead of maiden reserve and DFS this year.

Why we like Centaurus Metals

1. Only >500kt Ni contained, <\$500m capex, pitable nickel sulphide junior globally
2. Ten rigs drilling now lifting to 14 shortly
3. POX suitable given water / limestone / cheap hydro not available in Australia
4. 10Y 75% tax-breaks in well known mining jurisdiction (no rainforest, RAP, indigenous)
5. Industry-leading CO₂ intensity, and hydroxide sales to EV market for ESG mandated investors

Catalysts

1. 1H22: Drill results from 10, lifting to 14, rigs
2. Mid-2022: MRE update
3. 4Q22: BFS
4. 2H23: construction start
5. 2024: Target first production

Research

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| | | | |
|-----------------------------------|--|--|------------------------|
| Ticker: CTM AU | Price / mkt cap: A115c/sh / A\$486m | P/NAV today: 0.23x | Country: Brazil |
| Author: B Salier, B Gaspar | Rec/0.6xNAV7% PT: BUY, A260c/sh | 1xNAV7%⁴Q21 FF FD: A\$3.88c/sh | Asset: Jaguar |

| Commodity price | CY20A | CY21E | CY22E | CY23E | CY24E |
|----------------------------|--------|--------|--------|--------|--------|
| Ni price (US\$/t) | 20,944 | 20,944 | 20,944 | 20,944 | 20,944 |
| Ni price (US\$/t, payable) | 20,546 | 20,546 | 20,546 | 20,546 | 20,546 |

| 1xNAV project valuation* | A\$m | o/ship | NAVx | A\$/sh |
|----------------------------|--------------|--------|------|--------|
| Jaguar NPV (build start) | 1,835 | 100% | 1.0x | 4.22 |
| Regional exploration @ 15% | 275 | 100% | 1.0x | 0.63 |
| Pro-forma cash | 78.8 | 100% | 1.0x | 0.18 |
| Cash from ITM options | 2.2 | 100% | 1.0x | 0.01 |

1XNAV A\$ @ 1Q22 **2,191** **5.04**
**Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.23x*

| Asset value: 1xNPV project @ build start (A\$m, ungeared)* | | | | | |
|--|---------|---------|--------------|--------------|--------------|
| | 6.50/lb | 7.50/lb | 8.50/lb | 9.50/lb | 10.50/lb |
| Group NAV (A\$m) | 14,326 | 16,530 | 18,734 | 20,938 | 23,142 |
| 9.0% discount | 739 | 1,130 | 1,519 | 1,909 | 2,298 |
| 7.0% discount | 870 | 1,311 | 1,750 | 2,190 | 2,630 |
| 5.0% discount | 1,025 | 1,527 | 2,026 | 2,525 | 3,025 |
| Ungeared project IRR: | 31% | 42% | 52% | 62% | 71% |

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

| SOTP company valuation^ | 1Q22 | 1Q23 | 1Q24 | 1Q25 | 1Q26 |
|---------------------------|-------|-------|-------|-------|-------|
| Jaguar NPV | 1,743 | 1,867 | 2,004 | 2,483 | 2,460 |
| Centra G&A & fin. costs | (66) | (68) | (67) | (49) | (27) |
| Net cash prior quarter | 8.3 | 59.0 | 185.5 | (154) | 4 |
| Cash from ITM options | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| NAV (A\$m) | 1,688 | 1,861 | 2,125 | 2,282 | 2,439 |
| FD share count (m) | 435 | 435 | 491 | 491 | 491 |
| 1xNAV7%/sh FF FD (A\$/sh) | 3.88 | 4.28 | 4.33 | 4.65 | 4.97 |

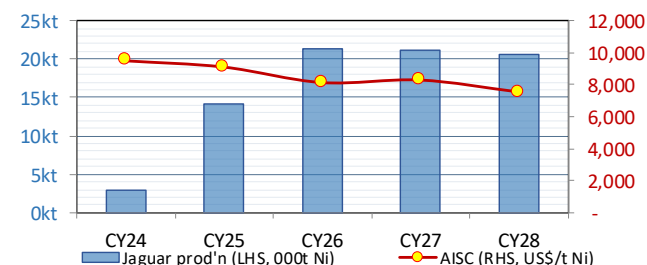
0.6xNAV7% PT: 2.60

| Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^ | | | | | |
|---|---------|---------|-------------|---------|----------|
| | 6.50/lb | 7.50/lb | 8.50/lb | 9.50/lb | 10.50/lb |
| 1xNAV (A\$/sh) | 14,326 | 16,530 | 18,734 | 20,938 | 23,142 |
| 9.0% discount | 1.61 | 2.58 | 3.55 | 4.53 | 5.51 |
| 7.0% discount | 1.83 | 2.87 | 3.92 | 4.97 | 6.03 |
| 5.0% discount | 2.07 | 3.20 | 4.34 | 5.48 | 6.62 |

| Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^ | | | | | |
|---|--------|--------|-------------|--------|--------|
| | 13,228 | 15,432 | 17,637 | 19,842 | 22,046 |
| 1xNAV (A\$/sh) | 13,228 | 15,432 | 17,637 | 19,842 | 22,046 |
| 9.0% discount | 0.43 | 0.95 | 1.46 | 1.98 | 2.49 |
| 7.0% discount | 0.49 | 1.03 | 1.58 | 2.13 | 2.67 |
| 5.0% discount | 0.55 | 1.13 | 1.72 | 2.30 | 2.88 |

| Production (Y1 from 3Q20) | CY24 | CY25 | CY26 | CY27 | CY28 |
|------------------------------|-------|-------|-------|-------|-------|
| Jaguar production (000kt Ni) | 2.9 | 14.2 | 21.4 | 21.1 | 20.7 |
| C1 cost (US\$/t Ni) | 8,746 | 8,348 | 7,359 | 7,495 | 6,539 |
| AISC cost (US\$/t Ni) | 9,499 | 9,099 | 8,109 | 8,270 | 7,510 |

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



Source: SCP estimates

| Resource/Inventory | Mt | NiEq % | Mt | NiEq % |
|--------------------|-----------|--------|---------------|--------|
| | 4Q21 JORC | | SCP inventory | |
| M&I | 43.4 | 1.02% | 36.6 | 0.76% |
| Inferred | 37.2 | 0.99% | | |
| | 80.6 | 1.00% | Total 36.6 | 0.76% |

| Funding: uses | Funding: sources |
|--------------------------|---------------------------------|
| Capex (A\$m) | Pro-forma cash 78.8 |
| Drilling/FS cost (A\$m) | SCPe debt (A\$m) 259.8 |
| Working cap >DFS (A\$m) | SCPe 0.5NAV equity (A\$m) 140.0 |
| G&A and fin. cost (A\$m) | Total sources (A\$m) 478.6 |
| Total uses: group (A\$m) | Drilling / buffer (A\$m) 12.6 |

| Share data (m) | Basic | FD | 3Q22 (FF FD) |
|----------------|-------|-------|--------------|
| Shares (m) | 422.9 | 434.9 | 490.5 |

| Ratio analysis | CY20E | CY21E | CY22E | CY23E | CY24E |
|--------------------------|-------|-------|-------|-------|-------|
| Shares out (m) | 325.9 | 329.5 | 490.5 | 490.5 | 490.5 |
| EPS (Ac/sh) | - | - | - | - | 2.9 |
| CFPS before w/c (A\$/sh) | - | - | - | - | - |
| EV (A\$m) | 350.6 | 370.6 | 505.1 | 378.6 | 718.0 |
| FCF yield (%) | - | - | - | - | - |
| PER (x) | - | - | - | - | 39.9x |
| P/CF (x) | - | - | - | - | - |
| EV/EBITDA (x) | - | - | - | - | 16.6x |

| Income statement | CY20E | CY21E | CY22E | CY23E | CY24E |
|----------------------------|---------------|---------------|---------------|--------------|-------------|
| Revenue (A\$m) | 0.5 | - | - | - | 83.0 |
| COGS (A\$m) | - | - | - | - | 36.5 |
| Gross profit (A\$m) | 0.5 | - | - | - | 46.5 |
| G&A (A\$m) | 2.9 | 2.7 | 2.6 | 2.9 | 3.2 |
| Exploration (A\$m) | 7.3 | 12.9 | 18.0 | 4.0 | - |
| Finance costs (A\$m) | 0.1 | - | - | - | 18.2 |
| Tax (A\$m) | - | - | - | - | 7.0 |
| Other (A\$m) | 3.6 | 0.7 | 0.7 | 0.1 | 4.0 |
| Net income (A\$m) | (13.3) | (16.3) | (21.3) | (7.0) | 14.1 |

| Cash flow statement | CY20E | CY21E | CY22E | CY23E | CY24E |
|-----------------------------|--------------|---------------|---------------|--------------|--------------|
| EBITDA (A\$m) | (11.5) | (16.4) | (21.4) | (7.3) | 43.4 |
| Add share based (A\$m) | 0.5 | 0.8 | 0.8 | 0.4 | - |
| Net change wkg cap (A\$m) | (1.6) | - | - | 1.7 | 22.9 |
| Cash flow ops (A\$m) | (5.3) | (15.5) | (20.5) | (8.4) | (4.3) |

| | | | | | |
|------------------------------|-------------|--------------|-------------|---------------|----------------|
| PP&E - build + sust. (A\$m) | (1.2) | 5.8 | - | 65.0 | 335.1 |
| PP&E - expl'n (A\$m) | - | - | - | - | - |
| Cash flow inv. (A\$m) | 1.2 | (5.8) | - | (65.0) | (335.1) |
| Share issue (A\$m) | 24.8 | 5.5 | 71.3 | 199.9 | - |
| Debt draw (repay) (A\$m) | - | - | - | - | 259.8 |
| Cash flow fin. (A\$m) | 24.8 | 5.5 | 71.3 | 199.9 | 259.8 |
| Net change in cash (A\$m) | 19.5 | (16.0) | 50.7 | 126.5 | (79.6) |

| Balance sheet | CY20E | CY21E | CY22E | CY23E | CY24E |
|------------------------------------|-------------|-------------|-------------|--------------|--------------|
| Cash (A\$m) | 24.1 | 8.3 | 59.0 | 185.5 | 105.9 |
| Acc rec. + invet. (A\$m) | 0.2 | 0.2 | 0.2 | 0.0 | 34.9 |
| PP&E & expl'n (A\$m) | 9.5 | 15.3 | 15.3 | 80.3 | 410.9 |
| Total assets (A\$m) | 33.9 | 23.8 | 74.6 | 265.8 | 551.8 |
| Debt (A\$m) | - | - | - | - | 259.8 |
| Accounts payable (A\$m) | 1.9 | 1.9 | 1.9 | - | 12.0 |
| Others (A\$m) | 24.3 | 8.5 | 59.2 | 185.5 | 140.9 |
| Total liabilities (A\$m) | 7.7 | 7.7 | 7.7 | 5.8 | 277.6 |
| Shareholders' equity (A\$m) | 155.9 | 162.2 | 234.2 | 434.5 | 434.5 |
| Reserves (A\$m) | (8.3) | (8.3) | (8.3) | (8.3) | (8.3) |
| Retained earnings (A\$m) | (121.5) | (137.8) | (159.1) | (166.1) | (152.0) |
| Liabilities + equity (A\$m) | 33.9 | 23.8 | 74.6 | 265.8 | 551.8 |

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TENDER: The analyst recommends tendering shares to a formal tender offering

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| Summary of Recommendations as of February 2022 | |
|--|----|
| BUY: | 50 |
| HOLD: | 1 |
| SELL: | 0 |
| UNDER REVIEW: | 0 |
| TENDER: | 1 |
| NOT RATED: | 0 |
| TOTAL | 52 |

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