

Centaurus Metals Limited

EV Materials

Paul Howard | Analyst | Canaccord Genuity (Australia) Ltd. | phoward@cgf.com | +61.8.9263.1155
Timothy Hoff | Analyst | Canaccord Genuity (Australia) Ltd. | THoff@cgf.com | +61.2.9263.2745

Rating
SPECULATIVE BUY

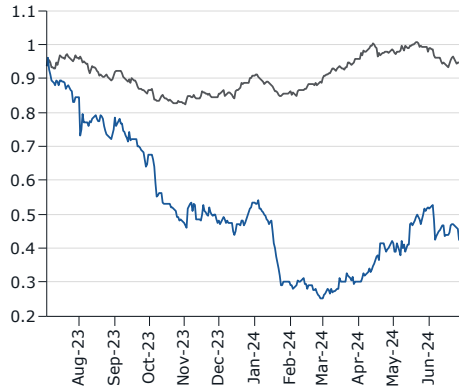
Price Target
A\$0.80

CTM-ASX

Price
A\$0.45

Market Data

52-Week Range (A\$) :	0.24 - 0.96
Avg Daily Vol (000s) :	917.58
Shares Out. (M) :	496.2
Market Cap (A\$M) :	225.8
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0



— CTM.AU
— S&P/ASX Emerging Companies (rebased)
Source: FactSet

Priced as of close of business 1 July 2024

Centaurus Metals Limited (ASX:CTM) is a nickel sulphide focussed developer aiming to bring the 100%-owned Jaguar Project into production by 2027.

Feasibility Study first look: lowest quartile cost production of Brazilian nickel sulphide

Centaurus Metals (CTM-ASX) has released the much anticipated Feasibility Study (FS) for the Jaguar Nickel Sulphide Project in the Carajás Mineral Province of northern Brazil.

The company had been assessing production of a refined nickel sulphate product prior to weakness in the global nickel market spurring on a rethink. It has **pivoted to a lower capex, nickel concentrate (sulphide) production scenario for Jaguar**, with the findings released this morning.

The FS versus our expectations

Overall, the study is in line with our expectations (see table overleaf). The FS is underpinned by an open pit Ore Reserve of 63Mt @ 0.73% Ni for 459kt of contained nickel. We had been expecting a 65% conversion of resources to reserves but with less grade dilution. The lower reserve grade flows through to 17% overall lower annual production versus our estimates.

We expect the lower production to be offset by the very low operating costs, in terms of overall project economics. Costs are in the lowest quartile with C1 of US\$2.30/lb payable and AISC of US\$3.57/lb versus spot LME nickel of US\$7.80/lb. CTM assumes LOM nickel pricing of US\$8.98/lb and 76% payabilities vs CGe of US\$9.15/lb at 75%. A 34% lower strip ratio compared to CGe coupled with cheap local hydropower has aided costs pushing well into the lowest quartile among global producers.

Capex is also lower than our expectations at US\$371m vs CGe of US\$400m. Sustaining capex is in line at US\$237m over LOM.

CTM is assessing an 18-year open pit scenario, processing 3.5Mtpa to produce ~19ktpa of nickel sulphide in concentrate.


Timing and areas for optimisation

We expect CTM's A\$25m cash to fund the company through to FID in the JunQ'25. Construction and early mining works (pre-strip) could take 24 months with commissioning forecast for the SepQ'27 and steady state production in 2028. This timing coincides with our **forecast nickel supply deficit (Figure 13)**.

Areas for further optimisation include:

- Resource update to incorporate 50,000m of deeper drilling, and assessment of underground mining opportunities. We note that 15.1Mt @ 1.49% Ni for 224kt of contained nickel in resource sits below the pit designs.
- Optimisation of the mine plan and assessment of mining technologies including ore sorting.
- Re-evaluation of downstream nickel sulphate production for a potential Stage 2 scenario.

CTM's FS assumptions versus CGe prior assumptions from March 2024

	Units	CTM DFS July 2024	CGe Mar 2024	CTM vs CGe % Difference
Resource tonnes	Mt	109.2	109.2	0%
Resource grade	%	0.87%	0.87%	0%
Assumed mine inventory	Mt	63.0	70.0	11%
Avg LOM Nickel grade	%	0.73%	0.85%	16%
Strip ratio	x	5.3	7.1	34%
Mine Life	yrs	18	20	12%
Milled	Mt	63.0	68.5	9%
Avg LOM Nickel grade	%	0.73%	0.85%	16%
Average annual ore processed	Mtpa	3.5	3.5	-1%
Nickel recovery	%	73%	75%	3%
LOM recoverable nickel	kt	335	437	30%
Avg annual recoverable nickel sulphide	ktpa	19	22	17%
Average LOM nickel price	US\$/lb	8.98	9.15	2%
Total Revenue	US\$M	5,046	6,284	25%
Total Operating Costs	US\$M	2,647	4,145	57%
Mining - o/p	US\$/t	2.90	3.50	21%
Processing	US\$/t	6.90	17.00	146%
G&A + Logistics	US\$/t	1.91	5.00	162%
C1	US\$/lb	2.30	4.80	109%
AISC	US\$/lb	3.57	5.87	64%
Royalties	US\$M	267	139	-48%
Total Project capital	US\$M	608	640	5%
Pre-production capital	US\$M	371	400	8%
Sustaining capital	US\$M	237	240	1%

Source: Company reports, Canaccord Genuity estimates

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Investment Recommendation

Date and time of first dissemination: July 01, 2024, 22:12 ET

Date and time of production: July 01, 2024, 22:12 ET

Target Price / Valuation Methodology:

Centaurus Metals Limited - CTM

Our price target (NPV12%) is on a fully diluted basis and risked 50% to account for changing scope of the project. Our project valuation is based on our interpreted development/production scenario at Jaguar. Given the early stage of development of the project along with the financing and permitting stages to progress through, we have applied a 50% risk weighting to our project valuation to capture project and financing risks. Our net asset valuation per share is based on a fully financed scenario inclusive of equity dilution and fully drawn project debt.

Risks to achieving Target Price / Valuation:

Centaurus Metals Limited - CTM

Financing risks

As an exploration and development company with no material income, CTM is highly reliant on equity and debt markets to fund development of its assets and progress its regional exploration pipeline. Further, we can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration and development risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further mineral resources nor that the company will be able to convert the current Mineral Resource into Ore Reserves. The Scoping Studies completed to date are at a low (+/-40%) level of accuracy and present both upside and downside risk to our valuation.

Operating risks

If/when in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

Commodity price and currency fluctuations

As with any development company, CTM is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

Geopolitical risks

CTM's key asset is located in Brazil, which is considered an emerging market. As such, CTM, through the Jaguar Nickel Sulphide Project, carries a higher degree of economic, political, social, legal and legislative risk. Brazil has a well-established and stable mining industry.

Distribution of Ratings:

Global Stock Ratings (as of 07/01/24)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	601	66.70%	22.80%
Hold	131	14.54%	10.69%
Sell	12	1.33%	8.33%
Speculative Buy	149	16.54%	51.68%
	901*	100.0%	

*Total includes stocks that are Under Review

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*As of January 1, 2024, the Ratings History Chart will reflect the new Canaccord Genuity Ratings System as defined above.

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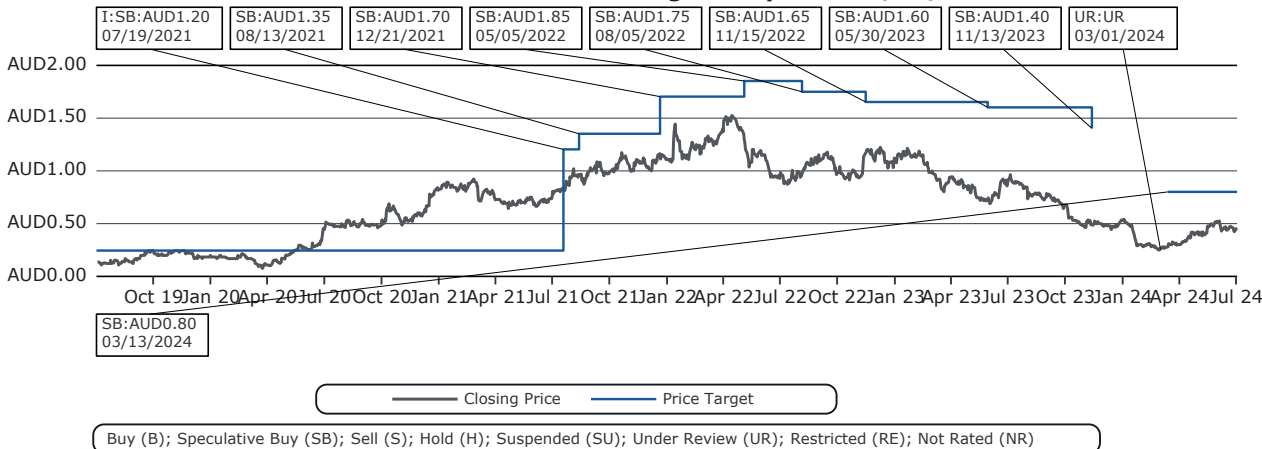
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Centaurus Metals Limited Rating History as of 07/01/2024



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