

Ticker: CTM AU **Cash 3Q21:** A\$16m **Project:** Jaguar
Mkt cap: A\$374m **Price:** A\$1.04/sh **Country:** Brazil
RECOMMEND (unc): BUY **TARGET (up):** A\$2.50/sh **RISK RATING:** HIGH

We think the market has missed the implications of last week’s engineering update, and certainly today’s +40% MRE. Firstly, today’s resource additions were 2-4x higher than the 5-10Mt we speculated last week, with a 22Mt / 40% lift in contained metal at improved like-for-like NiEq grades. More on this below, as last week’s engineering update is potentially more material. When the ‘value add’ POX study was released in May, the published US\$831m NPV_{8%-750c/lb} was close to double the concentrate-only study of US\$453m, and that at US\$16,530/t, 16% under spot. Consequently, we have now moved our model from concentrate to POX, lifting our NAV_{7%-750c/lb} from A\$920m to A\$1451m (Table 1). Notably, this only sees 37Mt mined, barely 45% of today’s updated MRE, now entirely covered by M&I, and excludes any improvement from recent lower-temperature lower-pressure metallurgical results. Very simply, the engineering and today’s (and future) resource growth argues for a higher NAV multiple. This is where the story gets fun – **and where we believe the market is asleep at the wheel:** sticking with our prior 0.5xNAV_{7%-750c/lb} multiple, POX economics sees our PT lift from A\$1.65/sh to A\$2.50/sh. This includes just 15% applied for future inventory growth, and would climb to A\$2.80/sh at spot. There is a lot to do to achieve this – namely the DFS, but that work is well underway. We think Australian investors have been blinded by the impressive grades from what can only be called miniscule komatiite shoots in WA (in comparison to Jaguar). With rigs drilling into another MRE update mid-year 2022, we wouldn’t be surprised to see mine-life extensions in the DFS at worst, or a scope-lift at best. In fact, we see Centaurus as unrivaled given all the value above excludes sector-leading CO2 emissions, 10y tax breaks to ~15%, and sales of hydroxide feeding directly to the EV market.

Table 1 SCP old (conc.) and new (POX) metrics and NPV against 2Q21 POX scoping study

	CTM	SCP old	SCP new	
Jaguar (100%)	POX	Conc.	POX	Δ (%)
Pit inventory (Mt ore)	36.6	29.6	36.6	24%
Strip ratio (x)	6.5	6.0	6.5	8.7%
Grade (% Ni)	0.76%	0.78%	0.76%	-4%
UG inventory (Mt ore)	8.5	3.2	8.5	164.5%
Grade (% Ni)	1.01%	1.36%	1.01%	-26%
Nickel mined (000t Ni)	341.0	260	341.7	31%
Peak ROM (000t pa)	2,700	2,700	2,700	0.0%
Recovery (LOM, %)	77%	78%	77%	-1.7%
Avg annual prod. (000t Ni in con/sulpl)	19.7	18.4	19.8	7%
Mine life (years)	13.3	11.0	13.3	20.5%
Nickel price (US\$000/t)	17,632	18,734	18,734	0%
Payability (%)	-	75%	98%	30.8%
Logistics (US\$/t milled)	-	3.55	2.61	-26%

	CTM	SCP old	SCP new	
Jaguar (100%)	POX	Conc.	POX	Δ (%)
Pit mining cost (US\$/t ROM)	2.60	2.57	2.60	1.1%
UG mining cost (US\$/t ROM)	47.3	50.5	47.3	-6.5%
Processing cost (US\$/t ROM)*	28.0	11.3	28.0	70%
By-product credit (US\$/t ROM)	-8.75	-	-8.75	-
G&A cost (US\$/t ROM)	1.98	2.13	1.98	-7.0%
C1 cost (US\$/lb, LOM average)	3.29	2.79	3.47	24.4%
AISC (US\$/lb, LOM average)	3.94	3.41	4.12	21%
Initial capex (US\$m)	288	179	288	60.7%
LOM sustaining capex (US\$m)	213	138	213	54%
AUD / USD	0.75	0.72	0.72	0.0%
Discount rate (%)	8.0%	7.0%	7.0%	0.0%
Project NPV (A\$m)	1108	920	1451	57.8%
Asset IRR (%)	52%	50%	52%	3.3%

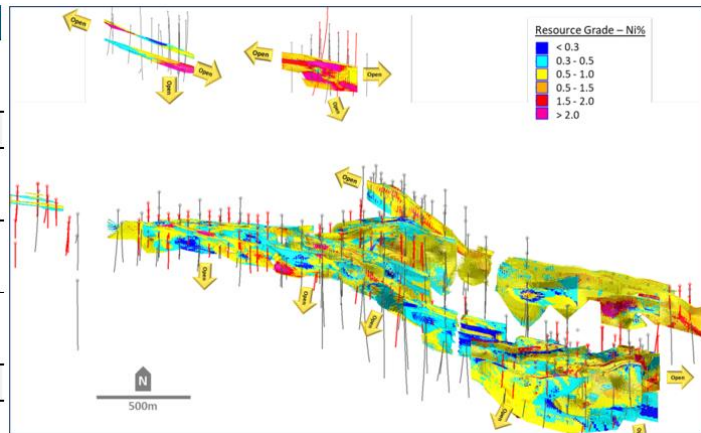
Source: Centaurus, SCP estimates

MRE up 40% to 81Mt@1.0% NiEq, POX sees PT lift to A\$2.50/sh as market asleep at the wheel

The MRE released today sees contained nickel lift from 575kt to 805kt NiEq, with grade up 2% to 1.0% NiEq on like-for-like spot prices. The iterative 22Mt added came at 1.04%, with over 500kt Ni metal within 200m of surface (up from ~340kt). At a 1% cut-off, tonnes lifted by 14% and grade by 8% for a 22.4mt @ 1.74% NiEq high-grade core. The M&I resource now stands at 43Mt @ 1.02% NiEq (vs. the POX scoping study 36.6Mt), and will be the target for reserve conversion for the 4Q22 DFS. Eight diamond rigs are now undertaking infill and extensional drilling, including on deeper high-grade UG targets, with another MRE updated scheduled for mid 2022 to form the foundation of the DFS.

	1Q21	4Q21	Δ (%)
Tonnes (000t)	58.60	80.60	38%
Grade (% NiEq)	0.98%	1.00%	2%
NiEq metal (000t)	576	805	40%
Indicated (% total)	40%	55%	38%
Indicated grade (% NiEq)	1.15%	1.02%	-11%
Tonnes added (000t)	10.60	22.00	108%
Grade of new tonnes (% NiEq)	0.41%	1.04%	156%
High grade tonnes (000t)	19.70	22.40	14%
High-grade (% NiEq)	1.60%	1.74%	8%
Ni metal (000t)	316	389	23%

Source: SCP, high-grade resource at 1% cut-off



Why we like Centaurus Metals

1. Only >500kt Ni contained, <\$500m capex, pittance nickel sulphide junior globally
2. Eight rigs drilling now to drive MRE lift in mid 2022 with deposit open
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 8 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: A105c/sh / A\$376m	P/NAV today: 0.23x	Country: Brazil
Author: B Salier, B Gaspar	Rec/0.5xNAV7% PT: BUY, A250c/sh	1xNAV7%^{4Q21} FF FD: A\$3.11c/sh	Asset: Jaguar

Commodity price	CY20A	CY21E	CY22E	CY23E	CY24E
Ni price (US\$/t)	18,734	18,734	18,734	18,734	18,734
Ni price (US\$/t, payable)	18,378	18,378	18,378	18,378	18,378
1xNAV project valuation*	A\$m	o/ship	NAVx	A\$/sh	
Jaguar NPV (build start)	1,451	100%	0.5x	1.88	
Regional exploration @ 15%	217.7	100%	1.0x	0.59	
3Q21 Cash	15.8	100%	1.0x	0.04	
Cash from ITM options	2.2	100%	1.0x	0.01	
1XNAV A\$ @ 4Q21	1,687			2.52	
<i>*Build start, ex fin. cost + G&A, dil. for optns not build</i>					<i>P/NAV today: 0.23x</i>

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	676	1,067	1,456	1,846	2,235
7.0% discount	807	1,248	1,687	2,127	2,566
5.0% discount	962	1,463	1,963	2,462	2,962
Ungeared project IRR:	31%	42%	52%	62%	71%
Group NAV (A\$/sh)	13,228	15,432	17,637	19,842	22,046
9.0% discount	1.29	2.36	3.41	4.46	5.51
7.0% discount	1.58	2.78	3.97	5.15	6.34
5.0% discount	1.91	3.28	4.63	5.98	7.33

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

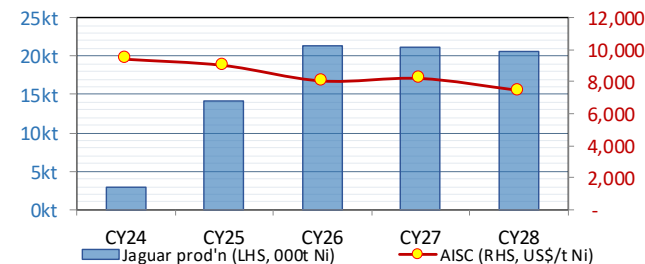
SOTP company valuation^	4Q21	4Q22	4Q23	4Q24	4Q25
Jaguar NPV	1,356	1,451	1,541	2,034	2,059
Centra G&A & fin. costs	(222)	(227)	(231)	(225)	(213)
Net cash prior quarter	15.8	6.7	165.6	(219)	(137)
Cash from ITM options	2.2	2.2	2.2	2.2	2.2
NAV (A\$m)	1,152	1,233	1,479	1,592	1,711
FD share count (m)	370	370	443	443	443
1xNAV7%/sh FF FD (A\$/sh)	3.11	3.33	3.33	3.59	3.86
ROI (% pa)		217%	78%	51%	38%

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	1.47	2.46	3.47	4.49	5.51
7.0% discount	1.69	2.77	3.86	4.96	6.06
5.0% discount	1.95	3.12	4.30	5.49	6.68

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)	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)	9,428	9,029	8,039	8,200	7,439

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%		
Total	80.6	1.00%	Total	36.6 0.76%

Funding: uses	Funding: sources			
Capex (A\$m)	400		3Q21 Cash	15.8
Drilling/FS cost (A\$m)	6.0		SCPe debt (A\$m)	259.8
Working cap >DFS (A\$m)	21.1		SCPe 0.6NAV equity (A\$m)	199.9
G&A and fin. cost (A\$m)	7.2		Total sources (A\$m)	475.5
Total uses: group (A\$m)	434.0		Drilling / buffer (A\$m)	41.5

Share data (m)	Basic	FD	3Q22 (FF FD)		
Shares (m)	358.3	370.3	443.4		
Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Shares out (m)	325.9	329.5	443.4	443.4	443.4
EPS (Ac/sh)	-	-	-	-	0.7
CFPS before w/c (A\$/sh)	-	-	-	-	-
EV (A\$m)	318.1	332.9	459.7	331.5	679.9
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	143.0x
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	19.7x

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Revenue (A\$m)	0.5	-	-	-	74.3
COGS (A\$m)	-	-	-	-	36.2
Gross profit (A\$m)	0.5	-	-	-	38.1
G&A (A\$m)	2.9	2.8	3.1	3.4	3.6
Exploration (A\$m)	7.3	10.4	4.0	-	-
Finance costs (A\$m)	0.1	-	-	-	18.2
Tax (A\$m)	-	-	-	-	5.4
Other (A\$m)	3.6	0.8	0.9	1.8	7.6
Net income (A\$m)	(13.3)	(14.0)	(8.0)	(5.3)	3.3

Cash flow statement	CY20E	CY21E	CY22E	CY23E	CY24E
EBITDA (A\$m)	(11.5)	(13.9)	(7.9)	(3.8)	34.5
Add share based (A\$m)	0.5	0.8	0.8	0.4	-
Net change wkg cap (A\$m)	(1.6)	-	-	1.7	21.1
Cash flow ops (A\$m)	(5.3)	(13.2)	(7.2)	(6.6)	(13.4)
PP&E - build + sust. (A\$m)	(1.2)	3.6	-	65.0	335.1
PP&E - expl'n (A\$m)	-	-	-	-	-
Cash flow inv. (A\$m)	1.2	(3.6)	-	(65.0)	(335.1)
Share issue (A\$m)	24.8	5.5	-	199.9	-
Debt draw (repay) (A\$m)	-	-	-	-	259.8
Cash flow fin. (A\$m)	24.8	5.5	-	199.9	259.8
Net change in cash (A\$m)	19.5	(11.2)	(7.2)	128.3	(88.6)

Balance sheet	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (A\$m)	24.1	13.1	5.8	134.1	45.5
Acc rec. + invet. (A\$m)	0.2	0.2	0.2	0.0	33.0
PP&E & expl'n (A\$m)	9.5	12.9	12.9	77.9	408.5
Total assets (A\$m)	33.9	26.1	18.9	212.0	487.0
Debt (A\$m)	-	-	-	-	259.8
Accounts payable (A\$m)	1.9	1.9	1.9	-	11.9
Others (A\$m)	24.3	13.3	6.0	134.1	78.5
Total liabilities (A\$m)	7.7	7.7	7.7	5.8	277.5
Shareholders' equity (A\$m)	155.9	162.2	163.0	363.2	363.2
Reserves (A\$m)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)
Retained earnings (A\$m)	(121.5)	(135.5)	(143.5)	(148.8)	(145.5)
Liabilities + equity (A\$m)	33.9	26.1	18.9	212.0	487.0

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BUY:	48
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	49

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