

Centaurus Metals Ltd

(CTM \$0.43) Speculative Buy

EUROZ

Analyst	Date	Price Target
Andrew Clayton	29 th June 2020	\$0.70/sh ▲ from \$0.55/sh

Outstanding Maiden Jaguar Resource of 517kt @ 1.08% Ni

Investment case

CTM has delivered an excellent maiden JORC resource increasing the grade and contained Ni metal by 38% and 58% respectively from the Vale estimate. This makes it a globally significant deposit and one of the higher grade undeveloped projects. With 80% of the global resource and 70% of the high grade subset within 200m of surface, a long life open pit followed by an underground operation appears the likely scenario. This will be fleshed out in a scoping study due in four months. Mineralisation remains open and new deposits, already identified by Vale require infill drilling. We have increased our valuation to \$0.67/sh and Price Target to \$0.70/sh by reducing the risk adjustment factor we applied for a potential 16-22kt pa development scenario. A 30% increase in price today is more than justified based on this result and we maintain our Spec Buy.

Key points

- CTM has delivered an outstanding maiden resource estimate – well ahead of our target. Global resource of 517kt of Ni @ 1.08% Ni compares to Vale estimate of 315kt @ 0.78% Ni at a 0.5 % Ni cut off grade. This equates to a 38% increase in grade and a 58% increase in tonnes compared to the Vale estimate.
- Importantly, within the resource is a high grade portion of 321kt of Ni @ 1.56% Ni. Some 29% of the resource is in the Indicated category after CTM highly successful infill drill program predominantly at Jaguar Sth. Importantly, the continuity of high grade mineralisation question has now been answered.
- CTM used a 0.5% Ni cut off grade for the top 200m and a 1% Ni cut off grade for mineralisation below 200m.
- 80% of the global resource and 70% of the high grade portion is within 200m of the surface. This makes the potential economics very attractive as a shallow, high grade Ni sulphide development opportunity.

Centaurus Metals Ltd	Year End 30 June
Share Price	\$0.43
Issued Capital	
Fully paid Ord	259.7
Listed Opts (ex @ \$0.18/sh May'21)	28.9
Unlisted Options	7.3
Total Dil FP Ord	

Market Capitalisation	\$111m
Enterprise Value	\$104m
Cash	\$7m
Debt	nil

Directors

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

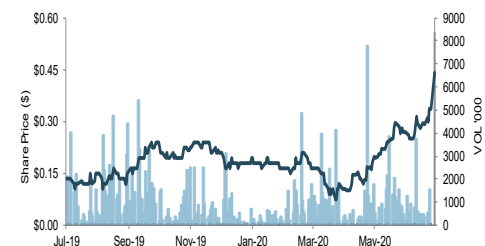
Shareholders

Top 20	50%
Dir & Mgt	5%

Company Details

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Email: office@centaurus.com.au

Share Price Chart



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This analyst declares that he has a beneficial interest in Centaurus Metals Ltd.

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- The resource is outlined below

Classification	Ore Type	Tonnes		Grade		Contained Metal Tonnes		
		Mt	Ni %	Cu %	Co ppm	Ni	Cu	Co
Indicated	Transition Sulphide	0.3	1.09	0.09	310	3,500	300	100
	Fresh Sulphide	11.2	1.29	0.09	392	145,000	9,800	4,400
	Total Indicated	11.5	1.29	0.09	390	148,500	10,100	4,500
Inferred	Transition Sulphide	0.8	0.99	0.08	287	8,200	700	200
	Fresh Sulphide	35.6	1.01	0.07	255	360,800	24,800	9,100
	Total Inferred	36.4	1.01	0.07	255	369,000	25,500	9,300
Total		48.0	1.08	0.07	288	517,500	35,600	13,800

* Within 200m of surface cut-off grade 0.5% Ni; more than 200m from surface cut-off grade 1.0% Ni; Totals are rounded to reflect acceptable precision, subtotals may not reflect global totals.

Classification	Ore Type	Tonnes		Grade		Contained Metal Tonnes		
		Mt	Ni %	Cu %	Co ppm	Ni	Cu	Co
Indicated	Transition Sulphide	0.2	1.45	0.10	380	2,300	200	100
	Fresh Sulphide	7.0	1.62	0.10	477	113,000	7,100	3,300
	Total Indicated	7.1	1.61	0.10	474	115,200	7,200	3,400
Inferred	Transition Sulphide	0.2	1.69	0.15	457	4,200	400	100
	Fresh Sulphide	13.2	1.53	0.10	369	201,900	12,800	4,900
	Total Inferred	13.4	1.54	0.10	372	206,100	13,200	5,000
Total		20.6	1.56	0.10	407	321,400	20,500	8,400

* Cut-off grade 1.0% Ni; Totals are rounded to reflect acceptable precision, subtotals may not reflect global totals.

- Our target for the high grade subset was 10-15mt @ 1.5-2% Ni so CTM has well and truly beaten our forecast.
- The higher grade Indicates resource reflects the decision to target the infill at Jaguar Sth which as shown in the resource table below account for 32% of the total resource tonnes and 73% of the total Indicated resource tonnes.

Deposit	Classification	Tonnes		Grade		Contained Metal Tonnes		
		Mt	Ni %	Cu %	Co ppm	Ni	Cu	Co
Jaguar South	Indicated	4.5	1.38	0.07	270	62,700	3,100	1,200
	Inferred	10.9	0.99	0.04	204	108,000	4,600	2,200
	Total	15.5	1.10	0.05	223	170,700	7,800	3,500
Jaguar Central	Indicated	3.3	1.11	0.07	328	36,400	2,100	1,100
	Inferred	4.1	1.14	0.06	267	47,000	2,700	1,100
	Total	7.4	1.13	0.06	294	83,400	4,800	2,200
Jaguar North	Indicated	1.8	1.15	0.16	344	20,200	2,700	600
	Inferred	1.1	1.13	0.29	327	12,100	3,100	400
	Total	2.8	1.14	0.21	338	32,300	5,800	1,000
Jaguar Central North	Inferred / Total	5.1	0.85	0.05	219	43,100	2,800	1,100
Jaguar Northeast	Inferred / Total	7.0	0.85	0.10	274	59,500	6,800	1,900
Jaguar West	Inferred / Total	4.5	0.90	0.04	169	41,000	2,000	800
Jaguar Deposits	Indicated	9.6	1.25	0.08	303	119,300	8,000	2,900
	Inferred	32.8	0.95	0.07	228	310,700	22,000	7,800
	Total	42.3	1.02	0.07	250	429,900	30,000	10,700
Onça Preta	Indicated	2.0	1.47	0.12	831	29,200	2,500	1,700
	Inferred	1.6	1.75	0.07	333	27,400	1,100	600
	Total	3.6	1.59	0.10	612	56,600	3,600	2,200
Onça Rosa	Inferred / Total	2.1	1.49	0.10	392	30,900	2,000	800
Jaguar MRE Total	Indicated	11.5	1.29	0.09	394	148,500	10,500	4,600
	Inferred	36.4	1.01	0.07	242	369,000	25,100	9,200
	Grand Total	48.0	1.08	0.07	288	517,500	35,600	13,800

* Within 200m of surface cut-off grade 0.5% Ni; more than 200m from surface cut-off grade 1.0% Ni; Totals are rounded to reflect acceptable precision, subtotals may not reflect global totals.

- Scoping study is planned for late Sept/early Oct.
- Two Diamond rigs are continuing on infill and extensional drilling with further rigs to be mobilised in the Sept'Q to test deeper high grade underground targets and strike extensions of the known deposits.

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Analysis

This is an outstanding maiden JORC resource and well ahead of our expectations. CTM's drilling has increased the grade and tonnes by 39% and 64% respectively and makes Jagaur a globally significant resource and one of the highest grade undeveloped projects globally.

It compares very well to its domestic peers and we note that POS has three deposits that makes up its resource and is deep whilst WSA resource is over three deposits/project areas.

Ticker	Units	MCR	POS	PAN	WSA	CTM	Mean
Last Price	A\$/sh	\$ 0.78	\$ 0.03	\$ 0.08	\$ 2.61	\$ 0.43	
Market Cap	A\$m	339	69	168	714	126	
EV	A\$m	229	45	130	563	118	
Rsc - Ni Equ.	Kt	196	446	287	922	568	
Res - Ni Equ.	Kt	65	28	153	249	0	
EV:Rsc	A\$/t	1,169	102	453	611	208	508
EV:Res	A\$/t	3,508	1,602	853	2,258	na	2,055

What distinguishes CTM is the high grade, shallow mineralisation with 70% of the high grade resource or ~ 225kt of Ni within the top 200m. None of its peer group has this type of shallow mineral endowment allowing for a medium/large scale open pit operation followed by a higher grade underground operation.

Applying the mean EV/Rsc t implies a >\$1.00/sh but we do recognise that WSA is in production and MCR is on the cusp of production but nevertheless it does show the potential for a re rating.

We initially modelled a 1.5mtpa scenario with a three year open pit operation at 1.4% Ni before transitioning to a higher grade underground operation with annual production of 16-22kt of Ni. We assumed a capital cost of US\$150m and operating costs of A\$6/lb payable to derive NPV10 of \$480m. we risk adjusted this by 30% to calculate our \$0.57/sh valuation.

There now appears to be scope for this 1.5mtpa to increase to 2mtpa or beyond if the resource justifies it. At the moment we are comfortable to leave our forecast unchanged as more will be known once the scoping study is complete but we reduce our risk adjustment factor to 35% to get our new valuation of \$0.67/sh. We increase our Price Target to \$0.70/sh to reflect the potential for further resource increase etc.

Our revised valuation is outlined below

Valuation	A\$m	A\$/sh.
(+) Jaguar Nickel	168	\$ 0.65
(+/-) Hedging	0	\$ -
(-) Corporate	-33	-\$ 0.13
(+) Exploration	30	\$ 0.12
(-) Debt	0	\$ -
(+) Un paid Capital	0	\$ -
(+) Cash	8	\$ 0.03
Valuation	173	\$ 0.67

We maintain our Spec Buy on CTM. This is a terrific result and it looks like Jaguar is shaping up as a company maker. Whilst the ultimate size and scale of the project is unknown, a junior with >500kt of Ni at >1% is in an enviable position.

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