

Ticker: CTM AU	4Q23 cash: A\$35m	Project: Jaguar
Market cap: A\$139m	Price: A\$0.28/sh	Country: Brazil
REC. (unc): BUY	TARGET (-40): A\$1.40/sh	RISK RATING (unc): HIGH

Yesterday's Jambreiro Iron ore project update announcement is not a pivot and very simply presents additional funding optionality for Centaurus (positive for shareholders) – packaging together a project that should be of interest to Vale's ESG efforts while continued remains on advancing Jaguar. This news follows last week's announcement to defer Jaguar's POX sulphate refinery in the upcoming FS to instead focus on nickel sulphide concentrate production – a wise move in our view given tepid markets - not only do we think this removes any perceived technical risk of downstream POX processing, but more importantly, reduces the capital hurdle required for the build, lowering financial risk for investors. We previously modeled a 'DFS preview' of a potential nickel sulfate production scenario, and very simply 'revert' back to our prior estimates based on a nickel concentrate operation shown in Table 1 below. Consequently, we model -16% lower capex and -10% lower C1 and AISC to derive our updated A\$1.1bn 1xNAV7%-9.50 (lower than long term consensus px), down -32% relative to our prior estimates, noting the deferred POX remains an opportunity dependent on market conditions. From there we update FX, push production start to 2027, and lift our NAV multiple to 0.5x for a conventional / financeable project plan. As such, **we maintain our BUY rating and lower our A\$1.80/sh PT to A\$1.40/sh** based on 55Mt @ ~0.75% OP inventory producing 20ktpa over 16-years and exclude any upside from high-grade UG mining from our DCF. As Centaurus continues to de-risk Jaguar, we expect our NAV multiple to move higher, with key catalysts, end of June Jaguar FS and 2H24 mine permits, supporting a potential re-rate opportunity.

Nickel macro: The main theme of recent news speaks to the global sentiment of nickel oversupply with equities trading down considerably YoY on increased Indonesian production. Our contrarian view is that the supply-demand rhetoric is not as cut-and-dry as the market perceives with recent delays to Indonesian RKAB license approvals potentially indicative of a crackdown by regulatory officials that could shift over-supply forecasts. On the demand side, China's strong growth of nickel in stainless steel and alloys remain a key macro driver (globally, ~65% of Ni end use goes to stainless) in addition to growth of nickel use in the battery market. Hence with nickel prices rebounding (+12% since January lows) and the stock down ~48% YTD, we think CTM is an excellent countercyclical investment as one of the few large, advanced Class-I nickel sulphide projects located in a low-risk jurisdiction with A\$35m cash and avenues to preserve the balance sheet (including offtake) to weather market fluctuations.

Concentrate only de-risks project financing, POX preserved as upside; SCPe A\$1.1B NPV update

On March 1st, 2024, Centaurus announced a new two-phase development approach, reshaping the current Feasibility Study, beginning with a Phase-I nickel sulphide concentrate product followed by a Phase-II nickel sulphate refinery (POX) (pending market conditions). Much of the work for the Feasibility Study on the concentrate project will remain as designed (incl. mine plan, site layout, process flowsheet and concentrate product specification) with Ausenco actively working to close-out required work activities by the end of March to allow for Centaurus to deliver the **Feasibility Study by the end of June 2024**. The phased approach is expected to see lower capital costs compared to an integrated project. Additional optimization work is expected to move into the next phase of development and engineering work. Concurrently, Centaurus will continue with its strategic partnering process to evaluate partner and funding options for the revised project and will also advance value-added growth and exploration initiatives at its Boi Novo Copper and Jambreiro Iron Ore projects.

On March 12th, 2024, Centaurus commenced a new study on their 100% owned Jambreiro Iron Ore Project to deliver a **lower carbon footprint direct reduction (DR) pellet feed concentrate** for downstream use in Electric Arc Furnaces. Initial sighter tests by a potential off-taker have shown ore from Jambreiro can produce a DR quality pellet feed material (+68% Fe product with combined grades of Silica (SiO₂) and Alumina (Al₂O₃) of less than 2%) via flotation or magnetic separation. Study work led by the company's

own iron ore metallurgist will expand on the met test program to optimize the DR quality specification. The study will not have an impact on the workflows for the company's flagship Jaguar project and upcoming FS. Finally, in addition to the environmental approvals (EIA/RIMA) anticipated for 3Q24, new documentation for required site water permits have also been lodged.

Our view: move to concentrate shows robust A\$1.1bn NAV / 26% IRR @ conservative \$9.50/lb

We previously modeled a 'DFS preview' of potential nickel sulfate production scenario, and very simply 'revert' back to our prior estimates based on a nickel concentrate operation, incorporating a -13% lower strip on SCPe refined pits, -24% lower payability (from 98% to 75%), -17% lower total capex (build + sust.) from US\$617m to US\$511m, -67% lower processing cost – in-line with prior 2021 concentrate PEA (conservative vs. peer Ero Copper study at US\$5.73/t), remove by-product credits, reintroduce shipping costs at US\$155/t (inflation adjusted from prior study) and improve recoveries. Consequently, we model -10% lower C1 and AISC to drive our **A\$1.1bn 1xNAV7%-9.50** (below long term consensus >CY27), down -32% relative to our 2Q23 POX FS preview, noting the deferred POX remains an opportunity dependent on market conditions. **We continue to exclude the high-grade selective underground mining opportunity from our DCF, leaving room for further upside.**

Table 1. SCPe old (POX) vs. new (Concentrate) production and economic summary

SCPe POX to Conc.	SCP			SCPe POX to Conc.	SCP		
Jaguar (100%)	Old	New	Δ (%)	Jaguar (100%)	Old	New	Δ (%)
Pit inventory (Mt ore)	55.0	55.0	0%	Pit mining cost (US\$/t ROM)	3.12	3.12	0%
Strip ratio (x)	7.5	6.5	-13%	UG mining cost (US\$/t ROM)	--	--	--
Grade (% Ni)	0.75%	0.75%	0%	Processing cost (US\$/t ROM)	33.62	11.00	-67%
UG inventory (Mt ore)	--	--	--	By-product credit (US\$/t ROM)	-14.70	--	--
Grade (% Ni)	--	--	--	G&A cost (US\$/t ROM)	2.38	2.38	0%
Nickel mined (000t Ni)	412	413	0%	C1 cost (US\$/lb, LOM average)	4.27	3.94	-8%
Peak ROM (000t pa)	3,580	3,580	0%	AISC (US\$/lb, LOM average)	4.96	4.55	-8%
Recovery (LOM, %)	75.0%	76.0%	1%	Initial capex (US\$m)	475	400	-16%
Avg prod. (000t Ni metal pa)	19.6	19.9	1%	LOM sustaining capex (US\$m)	142	111	-21%
Mine life (years)	15.8	15.8	0%	AUD / USD	0.75	0.66	-12%
Nickel price (US\$000/t)	20,944	20,944	0%	Discount rate (%)	7.0%	7.0%	0%
Payability (%)	98%	75%	-24%	Project NPV (A\$m)	1568	1071	-32%
Logistics (US\$/t conc.)	--	155.0	--	Asset IRR (%)	35%	26%	-24%

Source: SCP estimates

Why we like Centaurus

1. Only >1Mt NiEq metal, <\$500m capex, pitable nickel sulphide junior globally
2. One of few high-grade nickel sulphide developer retaining 100% of its offtake rights
3. CO₂ / energy security value with <1/10th the CO₂ of laterites, and location outside Russia
4. Taking 'vanilla' concentrate route leaving room for down-stream POX optionality
5. 10Y 75% tax-breaks in well known mining jurisdiction (no rainforest, RAP, indigenous)

Catalysts

- 1H24: Phase I nickel concentrate FS
- 1Q24: >1km deep hole at Onca Preta
- 2H24: SCPe mining licence granted
- CY24: Offtake and funding progress
- CY24: Jambreiro Ion Ore Study update
- FY25: SCPe FID

Research

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Ticker: CTM AU	Price / mkt cap: A28c/sh / A\$139m	P/NAV today: 0.10x	Country: Brazil
Author: B Gaspar / E Magdzinski / K Kormpis	Rec/0.5xNAV7% PT: BUY, A140c/sh	1xNAV _{1Q24} FF FD: A\$2.38c/sh	Asset: Jaguar

Commodity price	CY21A	CY22A	CY23A	CY24E	CY25E
Ni price (US\$/t)	20,944	20,944	20,944	20,944	20,944
Ni price (US\$/t payable)	15,708	15,708	15,708	15,708	15,708

1xNAV project valuation*	A\$m	o/ship	NAVx	A\$/sh
Jaguar OP NPV (build start)	1,071	100%	1.0x	2.14
Jaguar UG, 50% risked	144	100%	1.0x	0.29
Expln & resources ex reserve @ 1% insitu	137	100%	1.0x	0.27
4Q23 cash	35	100%	1.0x	0.07
Cash from ITM options	0.0	100%	1.0x	0.00
1XNAV A\$ @ 1Q23	1,387			2.77

*Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.10x

Asset value: 1xNPV project @ build start (A\$m, ungeared)*					
	7.50/lb	8.50/lb	9.50/lb	10.50/lb	11.50/lb
Group NAV (A\$m)	16,535	18,739	20,944	23,149	25,353
9.0% discount	516	851	1,186	1,520	1,855
7.0% discount	627	1,007	1,387	1,766	2,146
5.0% discount	762	1,198	1,633	2,068	2,504
Ungeared project IRR:	14%	21%	26%	32%	37%
Group NAV (A\$/sh)	16,535	18,739	20,944	23,149	25,353
9.0% discount	1.03	1.70	2.37	3.04	3.70
7.0% discount	1.25	2.01	2.77	3.53	4.29
5.0% discount	1.52	2.39	3.26	4.13	5.00

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

SOTP company valuation^	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28
Jaguar NPV	974	1,048	1,351	1,847	1,899
Resources ex reserve + UG	281	281	281	281	281
Central G&A & fin costs	(111)	(114)	(117)	(98)	(54)
Net cash prior quarter	34.7	60.4	68.7	(330.2)	(313.5)
Cash from ITM options	0.0	0.0	0.0	0.0	0.0
NAV (A\$m)	1,178	1,275	1,583	1,700	1,813

FD share count (m) 495 1377 1377 1377 1377

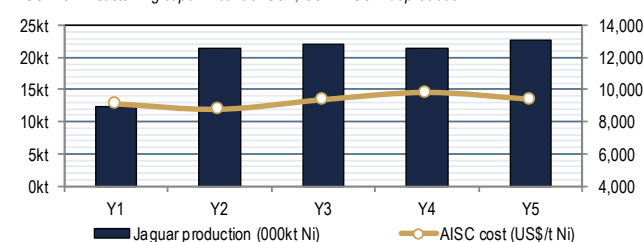
1xNAV7%/sh FF FD (A\$/sh) 2.38 0.93 1.15 1.23 1.32

Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^					
	7.50/lb	8.50/lb	9.50/lb	10.50/lb	11.50/lb
Group NAV (A\$m)	16,535	18,739	20,944	23,149	25,353
9.0% discount	810	1,233	1,656	2,079	2,501
7.0% discount	892	1,353	1,813	2,273	2,733
5.0% discount	990	1,495	2,000	2,505	3,010

Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^					
1xNAV (A\$/sh)	7.50/lb	8.50/lb	9.50/lb	10.50/lb	11.50/lb
9.0% discount	0.59	0.90	1.20	1.51	1.82
7.0% discount	0.65	0.98	1.32	1.65	1.98
5.0% discount	0.72	1.09	1.45	1.82	2.19

Production	Y1	Y2	Y3	Y4	Y5
Jaguar production (000kt Ni)	12.5	21.5	22.0	21.5	22.7
C1 cost (US\$/t Ni)	7,202	7,427	8,008	8,431	8,048
AISC cost (US\$/t Ni)	9,127	8,806	9,376	9,809	9,404

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



Source: SCP estimates

Resource/Inventory	Mt	NiEq %	Mt	Ni %
	4Q22 JORC		SCP inventory	
M&I	85.7	1.05%	OP:	55.0 0.76%
Inferred	22.2	1.06%	UG:	- -
	108.0	0.99%	Total	55.0 0.76%

Funding: uses		Funding: sources	
Capex (A\$m)	605.6	4Q23 cash + pre FID equity (A\$m)	69.7
Drilling/FS cost (A\$m)	5.0	SCPe debt (A\$m)	393.6
Working cap >DFS (A\$m)	19.9	SCPe equity at spot (A\$m)	212.0
G&A and fin. cost (A\$m)	42.9	Total sources (A\$m)	675.3
Total uses: group (A\$m)	673.3	Drilling / buffer (A\$m)	1.9

Share data (m)	Basic	FD	FF FD		
Shares (m)	495.0	500.6	1377.0		
Ratio analysis					
	CY21A	CY22E	CY23E	CY24E	CY25E
Shares out (m)	329.5	427.1	494.9	620.0	1,377.0
EPS (Ac/sh)	-	-	-	-	-
CFPS pre w/c (A\$/sh)	-	-	-	-	-
EV (A\$m)	84.0	85.5	103.9	113.2	316.8
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement	CY21A	CY22E	CY23E	CY24E	CY25E
Revenue (A\$m)	-	-	-	-	-
COGS (A\$m)	-	-	-	-	-
Gross profit (A\$m)	-	-	-	-	-
G&A (A\$m)	2.7	4.1	5.3	4.4	4.0
Exploration (A\$m)	12.9	37.6	37.7	5.0	-
Finance costs (A\$m)	-	-	-	-	-
Tax (A\$m)	-	(0.3)	(0.5)	-	-
Other (A\$m)	0.7	(1.3)	(1.0)	(0.1)	(0.3)
Net income (A\$m)	(16.3)	(40.2)	(41.4)	(9.3)	(3.7)

Cash flow statement	CY21A	CY22E	CY23E	CY24E	CY25E
EBITDA (A\$m)	(16.4)	(41.7)	(43.0)	(9.4)	(4.0)
Add share based (A\$m)	0.8	-	-	-	-
Net change WC (A\$m)	-	(1.5)	(2.3)	-	-
Cash flow ops (A\$m)	(15.5)	(38.7)	(38.9)	(9.3)	(3.7)
PP&E + sust. (A\$m)	5.8	6.1	2.2	-	200.0
PP&E - expl'n (A\$m)	-	0.4	0.9	-	-
Cash flow inv. (A\$m)	(5.8)	(6.9)	(3.1)	-	(200.0)
Share issue (A\$m)	5.5	72.7	44.5	35.0	212.0
Debt draw (repay) (A\$m)	-	-	-	-	-
Cash flow fin. (A\$m)	5.5	72.7	44.5	35.0	212.0
Net change in cash (A\$m)	(16.0)	27.3	2.6	25.7	8.3

Balance sheet	CY21A	CY22E	CY23E	CY24E	CY25E
Cash (A\$m)	8.3	34.0	34.7	60.4	68.7
Acc rec. + invet. (A\$m)	0.2	1.4	1.1	1.1	1.1
PP&E & expl'n (A\$m)	15.3	21.9	25.1	25.1	225.1
Total assets (A\$m)	23.8	57.4	60.9	86.7	295.0
Debt (A\$m)	-	-	-	-	-
Accounts payable (A\$m)	1.9	4.6	6.5	6.5	6.5
Others (A\$m)	8.5	35.4	35.7	61.5	69.8
Total liabilities (A\$m)	7.7	8.1	9.5	9.5	9.5
Shareholders' equity (A\$m)	162.2	236.3	281.0	316.0	528.0
Reserves (A\$m)	(8.3)	(5.8)	(4.0)	(4.0)	(4.0)
Retained earnings (A\$m)	(137.8)	(181.1)	(225.6)	(234.9)	(238.5)
Liabilities + equity (A\$m)	23.8	57.4	60.9	86.7	295.0

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BUY:	56
HOLD:	0
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UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	57

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