

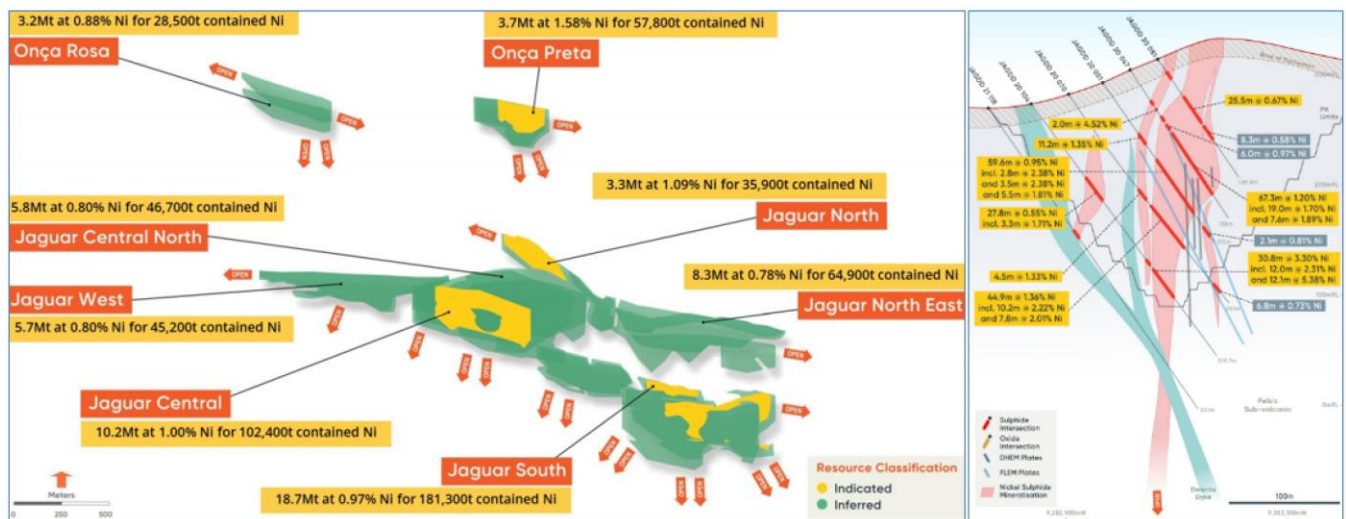
**Ticker:** CTM AU      **4Q20 Cash:** A\$24m      **Project:** Jaguar  
**Mkt cap:** A\$231m      **Price:** A\$0.70/sh      **Country:** Brazil  
**RECOMMEND (unc):** BUY      **TARGET (unc):** A\$1.20/sh      **RISK RATING:** HIGH

Today's drilling is mostly infill, hitting consistent 10-20m @ ~0.8-2.2% Ni grades while step-outs deliver bulk 65m @ 1.1% Ni, 2.1% Zn, (including 18m @ 1.6% Ni and 4.4% Zn) 30m below the pit shell at Jaguar Central. Impressively, the second headline hole 50m along strike hit 21m @ 1.6% Ni ~ 200m below surface and ~100m below the pit limit as well. We also see the same again for Jaguar North, hitting 33m @ 0.6% Ni ~20m below the pit shell. In our view, not only does mineralization expand beyond the proposed pit shells but also outside of the current 1Q21 MRE, pointing to resource expansion and potential UG at depth. Drilling is ramping up with an additional three rigs arriving in the coming weeks for the 65,000m program ahead of the 4Q21 MRE update. What's also exciting here is that regional exploration is underway at Leão, one of three top greenfield targets to be tested this year, and the first greenfield drilling for Centaurus. As such we **maintain our BUY rating and 0.5xNAV<sub>7%-8.00/lb</sub> A\$1.20/sh PT** for our base-case concentrate model, which we anticipate moving to POX in due course after the positive metrics from the recent value add study. This leaves four reasons for the stock to rise; (i) more nickel per today's drilling, (ii) an uplift in NPV and ROM tonnes with the move to POX, (iii) de-risking engineering ahead of next year's DFS, and (iv) greenfield drilling. As one of the very few pitable nickel sulphide assets globally, we see a scarcity / M&A premium as very much warranted, underpinning our conviction on this name and adding potential M&A as a key driver.

### Resource step out hit 65m @ 1.1% Ni ~30m below pit shell; regional drilling at Leão underway

Today's results from infill and step out drilling at Jaguar highlighted **64m @ 1.1% Ni, 2.1% Zn including 17.7m @ 1.6% Ni, 4.4% Zn** ~30m below the proposed pit design, outside the 1Q21 MRE and **21m @ 1.7% Ni** 50m further east of the headline hole. Step-out drilling is ongoing with a focus on the eastern deposit where the high-grade shoot plunges below the pit shell outside the MRE. Today's infill drilling highlighted **14.5m @ 0.73%** and **2.2m @ 1.5% Ni** from Jaguar West; **23m @ 0.5% and 19.7m @ 0.85% Ni** from Jaguar Central North; and **12.6m @ 1.4% Ni** from Jaguar South. Assays are pending for visual results reported from Jaguar South. Four drills are active, with an additional three expected to arrive end of June to complete the 65,000m of drilling planned this year for a 4Q21 MRE update. Regional drilling at the greenfield Leão Project is underway.

Figure 1. (A) Jaguar 1Q21 MRE and (B) x-section through Jaguar central deposit



Source: Centaurus

## Why we like Centaurus Metals

1. Only >100kt Ni contained, <\$500m capex, pitable nickel sulphide junior globally
2. Drilling of 65,000m this year likely drives resource growth / dis vs. <75,000m in resource itself
3. Optionality on POX given water / limestone / cheap hydro not available in Australia
4. Good logistics, including rail in a well-known mining jurisdiction
5. Quality 16% concentrate with low As, low Mg

## Catalysts

1. 3Q21: Lodge environmental license
2. SCPe 4Q22: BFS
3. 2024: Target first production

## Research

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<b>Ticker:</b> CTM AU	<b>Price / mkt cap:</b> A70c/sh / A\$231m	<b>P/NAV today:</b> 0.31x	<b>Country:</b> Brazil
<b>Author:</b> B Salier, B Gaspar	<b>Rec/0.6xNAV7% PT:</b> BUY, A120c/sh	<b>1xNAV7%4<sub>Q21</sub> FF FD:</b> A\$1.69c/sh	<b>Asset:</b> Jaguar

Commodity price	CY20E	CY21E	CY22E	CY23E	CY24E
Ni price (US\$/t)	17,637	17,637	17,637	17,637	17,637
Ni price (US\$/t, payable)	13,228	13,228	13,228	13,228	13,228

1xNAV project valuation*	A\$m	o/ship	NAVx	A\$/sh
Jaguar NPV (build start)	730	100%	0.50x	1.03
Regional exploration @ 10%	36.5	100%	1.0x	0.10
Cash 4Q20	24.1	100%	1.0x	0.07
Cash from ITM options	4.6	100%	1.0x	0.01

<b>1xNAV A\$ @ 1Q21</b>	<b>A\$796m</b>	<b>1.21</b>
<i>*Build start, ex fin. cost + G&amp;A, dil. for optns not build P/NAV today: 0.31x</i>		

Asset value: 1xNPV project @ build start (A\$m, ungeared)*					
	6.00/lb	7.00/lb	8.00/lb	9.00/lb	10.00/lb
Group NAV (A\$m)	13,228	15,432	17,637	19,842	22,046
9.0% discount	225	464	702	938	1,174
7.0% discount	273	534	796	1,055	1,313
5.0% discount	328	616	904	1,189	1,474
Ungeared project IRR:	21%	33%	45%	55%	64%
Group NAV (A\$/sh)	13,228	15,432	17,637	19,842	22,046
9.0% discount	0.63	1.31	1.98	2.64	3.31
7.0% discount	0.77	1.51	2.24	2.97	3.70
5.0% discount	0.92	1.74	2.55	3.35	4.15

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

SOTP company valuation^	2Q21	2Q22	2Q23	2Q24	2Q25
Jaguar NPV	634	679	730	914	1,107
Centra G&A & fin. costs	(58)	(48)	(38)	(30)	(20)
Net cash prior quarter	20.5	7.4	(4.2)	(15)	(150)
Cash from ITM options	4.6	4.6	4.6	4.6	4.6
NAV (A\$m)	601	643	693	873	942
FD share count (m)	355	355	441	441	441
1xNAV7%/sh FF FD (A\$/sh)	1.69	1.81	1.57	1.98	2.14
ROI (% pa)		159%	50%	41%	32%

**Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^**

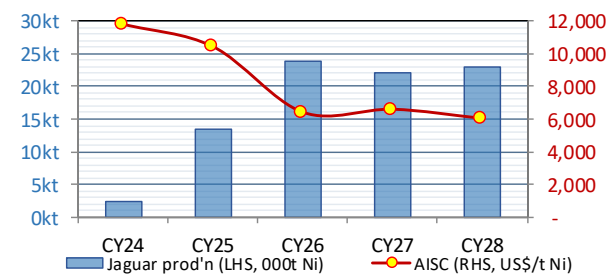
1xNAV (A\$/sh)	13,228	15,432	17,637	19,842	22,046
9.0% discount	0.52	1.21	1.94	2.67	3.40
7.0% discount	0.62	1.37	2.14	2.91	3.69
5.0% discount	0.74	1.54	2.36	3.19	4.02

**Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^**

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)	2.4	13.5	23.9	22.0	22.9
C1 cost (US\$/t Ni)	11,044	9,675	5,544	5,360	4,945
AISC cost (US\$/t Ni)	11,762	10,386	6,382	6,571	6,009

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



Source: SCP estimates

Resource/Inventory	Mt	Ni %	Mt	Ni %
	2Q20 JORC		SCP inventory	
M&I	11.5	1.29%	29.6	0.78%
Inferred	36.4	1.01%		
Total	48.0	1.08%	Total	29.6 0.8%

Funding: uses	Funding: sources		
Capex (A\$m)	231	Cash 4Q20 (A\$m)	24.1
Drilling/FS cost (A\$m)	14.9	SCPe debt (A\$m)	149.9
Working cap >DFS (A\$m)	14.5	SCPe 0.6NAV equity (A\$m)	115.3
G&A and fin. cost (A\$m)	30.2	Total sources (A\$m)	289.3
Total uses: group (A\$m)	290.3	Drilling / buffer (A\$m)	-1.0

Share data (m)	Basic	FD	3Q22 (FF FD)
Shares (m)	329.5	354.9	440.7

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Shares out (m)	325.9	329.5	440.7	440.7	440.7
EPS (Ac/sh)	-	-	-	-	-
CFPS before w/c (A\$/sh)	-	-	-	-	-
EV (A\$m)	204.0	219.9	309.9	271.6	458.7
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	166.5x

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Revenue (A\$m)	0.5	-	-	-	42.0
COGS (A\$m)	-	-	-	-	37.9
<b>Gross profit (A\$m)</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.2</b>
G&A (A\$m)	2.9	7.4	9.2	11.1	1.0
Exploration (A\$m)	7.3	6.0	3.0	-	-
Finance costs (A\$m)	0.1	-	-	-	10.5
Tax (A\$m)	-	-	-	-	-
Other (A\$m)	3.6	1.2	1.5	0.8	2.3

**Net income (A\$m) (13.3) (14.6) (13.7) (11.9) (9.6)**

**Cash flow statement**

	CY20E	CY21E	CY22E	CY23E	CY24E
EBITDA (A\$m)	(11.5)	(15.0)	(13.8)	(12.7)	2.8
Add share based (A\$m)	0.5	1.6	1.6	1.6	0.4
Net change wkg cap (A\$m)	(1.6)	-	-	1.7	14.5
<b>Cash flow ops (A\$m)</b>	<b>(5.3)</b>	<b>(13.0)</b>	<b>(12.1)</b>	<b>(12.0)</b>	<b>(21.0)</b>
PP&E - build + sust. (A\$m)	(1.2)	-	-	65.0	166.1
PP&E - expl'n (A\$m)	-	-	-	-	-
<b>Cash flow inv. (A\$m)</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>(65.0)</b>	<b>(166.1)</b>
Share issue (A\$m)	24.8	-	-	115.3	-
Debt draw (repay) (A\$m)	-	-	-	-	149.9
<b>Cash flow fin. (A\$m)</b>	<b>24.8</b>	<b>-</b>	<b>-</b>	<b>115.3</b>	<b>149.9</b>
Net change in cash (A\$m)	19.5	(13.4)	(12.1)	38.3	(37.2)

**Balance sheet**

	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (A\$m)	24.1	10.7	(1.4)	36.9	(0.3)
Acc rec. + invet. (A\$m)	0.2	0.2	0.2	0.0	27.0
PP&E & expl'n (A\$m)	9.5	9.9	9.9	74.9	238.3
<b>Total assets (A\$m)</b>	<b>33.9</b>	<b>20.8</b>	<b>8.7</b>	<b>111.8</b>	<b>264.9</b>
Debt (A\$m)	-	-	-	-	149.9
Accounts payable (A\$m)	1.9	1.9	1.9	-	12.4
Others (A\$m)	24.3	10.9	(1.2)	36.9	26.7
<b>Total liabilities (A\$m)</b>	<b>7.7</b>	<b>7.7</b>	<b>7.7</b>	<b>5.8</b>	<b>168.2</b>
Shareholders' equity (A\$m)	155.9	157.5	159.1	276.0	276.4
Reserves (A\$m)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)
Retained earnings (A\$m)	(121.5)	(136.1)	(149.8)	(161.7)	(171.3)
<b>Liabilities + equity (A\$m)</b>	<b>33.9</b>	<b>20.8</b>	<b>8.7</b>	<b>111.8</b>	<b>264.9</b>

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BUY:	42
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	42

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