

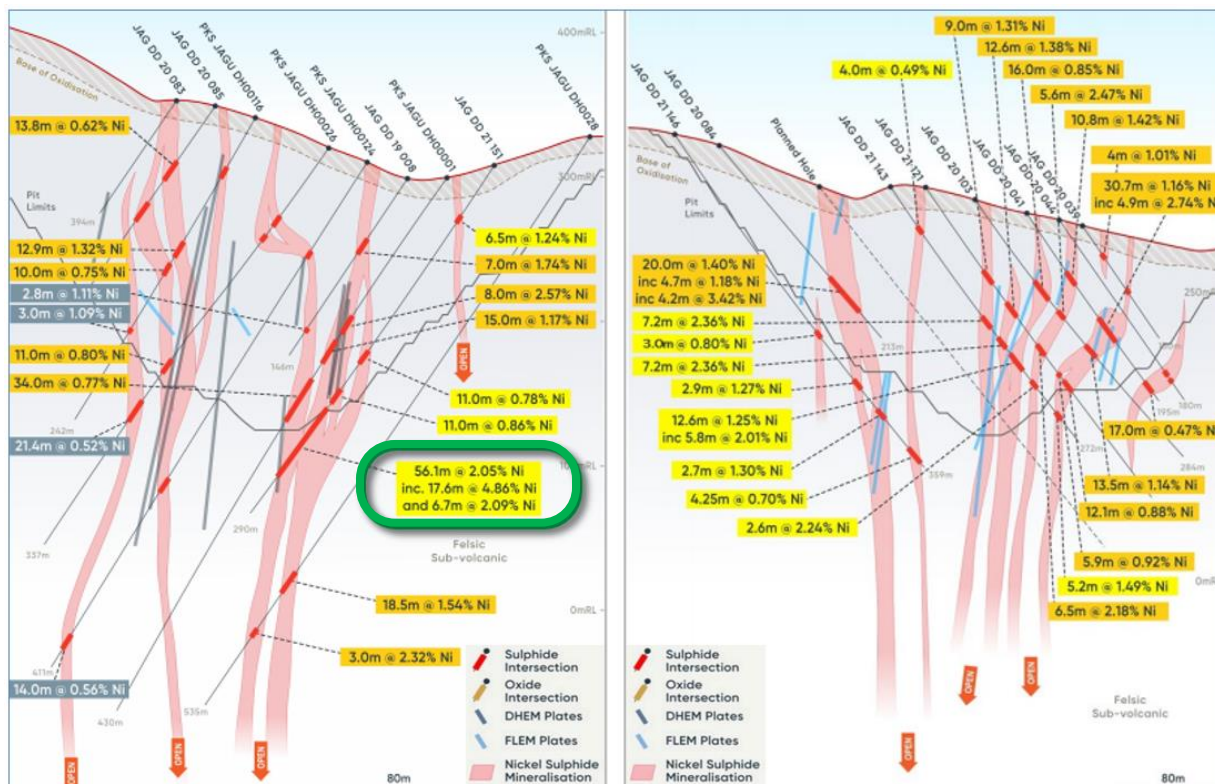
Ticker: CTM AU **4Q20 Cash:** A\$24m **Project:** Jaguar
Mkt cap: A\$267m **Price:** A\$0.81/sh **Country:** Brazil
RECOMMEND (unc): BUY **TARGET (unc):** A\$1.20/sh **RISK RATING:** HIGH

To hit today's best-ever headline after 300 holes have been drilled is an important point – whilst most people prefer layered intrusions for size, they are also relatively homogenous. Structurally controlled hydrothermal deposits like this are more likely to provide 'jewel boxes' with infill hits in shoots and sheets well above average resource grade. Consistent ~0.6-2.1% Ni infill hits are useful but ultimately confirmatory, while monster hits such as the **56m @ 2.1% Ni** outside the PEA pit are pure cream. Step outs today may add some strike given **4.5m @ 1.2% Ni** 60m along strike at Jag East, albeit deeper. Last week's market correction saw more speculative 'might work' EV names sell off aggressively while 'real' names, of which we think Centaurus is one, outperformed material, with Centaurus up 11.4% over ten days. This should be the 'summer of Centaurus', with (i) drilling ramping as an additional two rigs arriving in the coming weeks for the 65,000m program ahead of the 4Q21 MRE update and (ii) regional drilling underway at Leao (one of three top greenfield targets to be tested this year) to provide steady news flow for investors. As such we **maintain our BUY rating and 0.5xNAV_{7%-8.00/lb} 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.

Jaguar South hits monster 56m @ 2.1% Ni (including 18m @ 4.9% Ni) below pit shell

Today's infill drilling at Jaguar South highlighted **56.1m @ 2.1% Ni** including 17.6m @ 4.9% Ni immediately below the pit limits, as well as **7.2m @ 2.4% Ni** and **12.6m @ 1.3% Ni**. Additional infill holes at Jaguar West and Central North highlighted **13.2m @ 1.6% Ni** including 9.2m @ 2.1% Ni, **6.8m @ 1.2% Ni**, **4m @ 1.6% Ni**, **10.8m @ 0.8% Ni** and **31m @ 0.6% Ni**. Strike extension drilling at Jaguar Central extending mineralization 60m to the east of the resource limits with **4.5m @ 1.2% Ni** and **10m @ 0.9% Ni**. Drilling is ongoing with five drills and two more expected mid-July (one RC rig is on site drilling the Leão Prospect).

Figure 1. Jag. South sections through (A) 4780,040 and (B) 477,885mE showing 56.1m @ 2.05% Ni



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

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com

Justin Chan (London) M: +44 7554 784 688 jchan@sprott.com

Brandon Gaspar (Toronto) M: +1 437 533 3142 bgaspar@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Ticker: CTM AU	Price / mkt cap: A\$1c/sh / A\$267m	P/NAV today: 0.36x	Country: Brazil
Author: B Salier, B Gaspar	Rec/0.6xNAV7% PT: BUY, A120c/sh	1xNAV7%4_{Q21} FF FD: A\$1.69c/sh	Asset: 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
1xNAV A\$ @ 1Q21	A\$796m			1.21

*Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.36x

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 SG&A, 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)		124%	39%	35%	27%

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

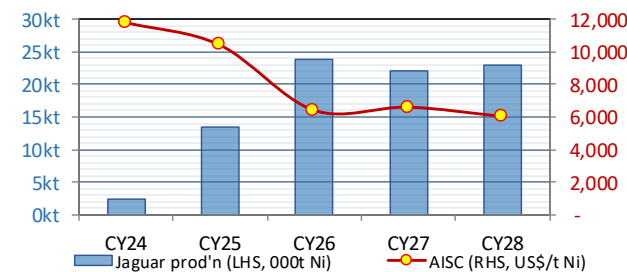
1xNAV (A\$/sh)	13,228	15,432	17,637	19,842	22,046
9.0% discount	0.52	1.21	1.94	2.67	3.40
7.0% discount	0.62	1.37	2.14	2.91	3.69
5.0% discount	0.74	1.54	2.36	3.19	4.02

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)	Cash 4Q20 (A\$m)
Drilling/FS cost (A\$m)	SCPe debt (A\$m)
Working cap >DFS (A\$m)	SCPe 0.6NAV equity (A\$m)
G&A and fin. cost (A\$m)	Total sources (A\$m)
Total uses: group (A\$m)	Drilling / buffer (A\$m)

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)	239.9	256.2	358.3	320.0	507.2
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	184.0x

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Revenue (A\$m)	0.5	-	-	-	42.0
COGS (A\$m)	-	-	-	-	37.9
Gross profit (A\$m)	0.5	-	-	-	4.2
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
Cash flow ops (A\$m)	(5.3)	(13.0)	(12.1)	(12.0)	(21.0)
PP&E - build + sust. (A\$m)	(1.2)	-	-	65.0	166.1
PP&E - expl'n (A\$m)	-	-	-	-	-
Cash flow inv. (A\$m)	1.2	-	-	(65.0)	(166.1)
Share issue (A\$m)	24.8	-	-	115.3	-
Debt draw (repay) (A\$m)	-	-	-	-	149.9

Cash flow fin. (A\$m) 24.8 - - 115.3 149.9

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
Total assets (A\$m)	33.9	20.8	8.7	111.8	264.9
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
Total liabilities (A\$m)	7.7	7.7	7.7	5.8	168.2
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)
Liabilities + equity (A\$m)	33.9	20.8	8.7	111.8	264.9

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Summary of recommendations as of July 2021	
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SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	43

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