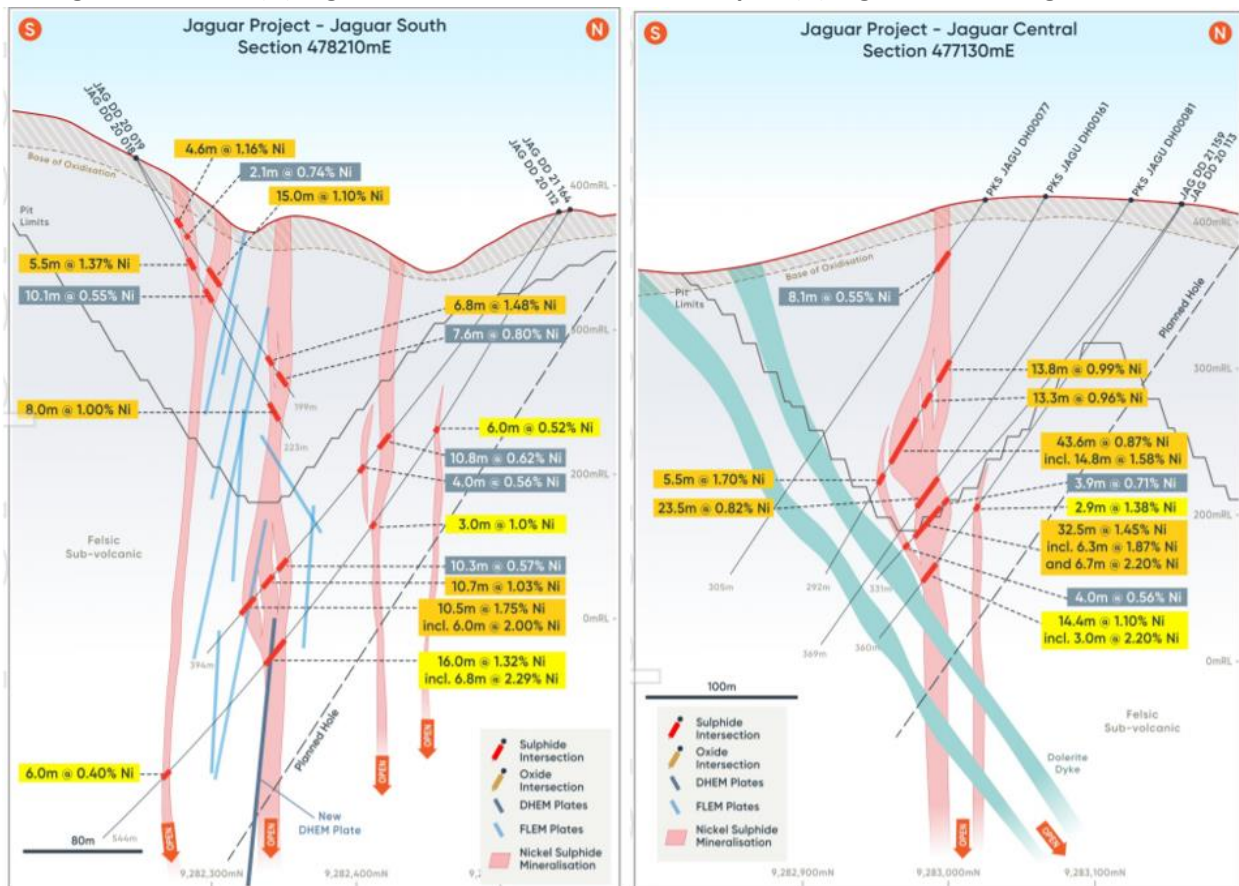


Ticker: CTM AU **2Q21 Cash:** A\$20.4m **Project:** Jaguar
Mkt cap: A\$348m **Price:** A\$0.97/sh **Country:** Brazil
RECOMMEND (unc): BUY **TARGET (unc):** A\$1.35/sh **RISK RATING:** HIGH

Strike, depth, and deep roots are the take home from today – and with 8 rigs this quarter this doesn't even include soon-to-start regional/greenfield step outs. Today's highlights point to more than 'useful iterative additions' – those are a given in our view. Rather, we see a trifecta of (i) some of the deepest holes to date hitting (eg 7m @ 2.3%, 10m visuals even deeper) right on (ii) conductors identified with new deep-penetrating DHEM equipment, with (iii) strike growing at the same time (eg. 15m @ 1.0%, 10m visuals on furthest east section to date). This would lead us to expect 10-20% metal additions as being again, a given, with (now) far more than a flyer on step-change resource growth at depth. Traditionally, scoping to DFS can be news-light, but we like the coming 12M for CTM on the basis of (a) iterative + roots adding material tonnes, (b) with a working silver-bullet going into greenfield drilling, and best of all, c) the funds (A\$20m cash) and rigs (8 this quarter) to get this done quickly, the often overlooked aspect of ROI. As such, **we maintain our BUY rating and 0.6xNAV_{7%-8.50/lb} A\$1.35/sh PT** using our base-case concentrate model (142c/sh at spot 8.70/lb), meaning POX (A\$831m NPV_{7%-7.50/lb} vs. A\$604m floatation only) offers risk-free upside to our PT. Stepping back, the domestic Australian and USA market for junior nickel equities is white hot on consolidation / roll up / Andrew Forest involvement. This is despite new assets in Australia mainly being small-tonnage komatiites which are very deep, expensive (to drill and develop reserves) and in mature provinces. In the long-term, we think all assets mean revert toward FCF. As such, around now could be a good time to start crossing into emerging names like Centaurus who ultimately have far more metal already, are growing faster, and are priced cheaper. Win, win, win.

Figure 1. Section (A) Jag South with new conductor at depth; (B) Jag Central drilling under MRE



Source: Centaurus

The Silver Bullet is here: deep DHEM shows new conductors, 16m @ 1.3% under existing MRE

Centaurus has (i) recently received new deep-penetrating EM equipment, (ii) released 21 extension, down-dip and infill holes from Jaguar deposits, and (iii) published visuals over 10-20m from the deepest, and furthest along strike at Jag South and Jag Central, respectively. DHEM probes (*to highlight off-hole conductors / at depth*) – this can ‘see’ to 750m depth, with early use showing conductors >150m deeper than the deepest drilling. Drilling has returned highlights from **Jaguar South (16m @ 1.3% Ni, 5.0m @ 2.6% Ni)**, extending the strike to 750m and depth to 300m. The headline hole here included 7m @ 2.3% Ni in one of the deepest holes drilled to date, 50m down dip from 10m @ 1.7% Ni. Figure 1A shows this hole, and a new conductor identified beneath this showing mineralization remains open to depth, noting these systems (Ni-rich IOCG end member) have been drilled to 1,000m deep at Vale’s Sossego and Salobo deposits. Along strike, 10m of stringer mineralization is awaiting assay 50m beyond the eastern most section within the 20m zone. **Jaguar Central** saw **14.4m @ 1.1% Ni** ~50m below the optimized pit shell, and **15m @ 1.0% Ni** 60m east of the most eastern section drilled previously. At depth, 10m of unassayed mineralization was intersected 40m down dip from prior holes. Rigs: Six rigs are now on site, with two arriving shortly,

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, incl. rail in well-known mining jurisdiction (no rainforest, RAP, indigenous)
5. Quality 16% concentrate with low As, low Mg

Catalysts

1. 2H22: Infill, deep and step out drilling around existing MRE
2. 4Q22: Maiden regional greenfield drilling
3. SCPe 4Q22: BFS
4. 2H23: construction start
5. 2024: Target first production

Research

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Ticker: CTM AU	Price / mkt cap: A97c/sh / A\$348m	P/NAV today: 0.39x	Country: Brazil
Author: B Salier, B Gaspar	Rec/0.6xNAV7% PT: BUY, A135c/sh	1xNAV7%4Q21 FF FD: A\$2.07c/sh	Asset: Jaguar

Commodity price	CY20E	CY21E	CY22E	CY23E	CY24E
Ni price (US\$/t)	18,739	18,739	18,739	18,739	18,739
Ni price (US\$/t, payable)	14,054	14,054	14,054	14,054	14,054
1xNAV project valuation*	A\$m	o/ship	NAVx	A\$/sh	
Jaguar NPV (build start)	866	100%	0.50x	1.17	
Regional exploration @ 10%	43.3	100%	1.0x	0.12	
Cash 2Q21	20.4	100%	1.0x	0.06	
Cash from ITM options	2.2	100%	1.0x	0.01	
1XNAV A\$ @ 1Q21	A\$932m			1.35	

*Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.39x

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	222	464	705	945	1,183
7.0% discount	270	535	800	1,063	1,324
5.0% discount	326	618	910	1,199	1,487
Ungeared project IRR:	21%	34%	45%	55%	65%
Group NAV (A\$/sh)	13,228	15,432	17,637	19,842	22,046
9.0% discount	0.60	1.25	1.90	2.55	3.19
7.0% discount	0.73	1.45	2.16	2.87	3.58
5.0% discount	0.88	1.67	2.46	3.24	4.02

*Project level NPV, excl finance costs and central G&A, discounted to build start

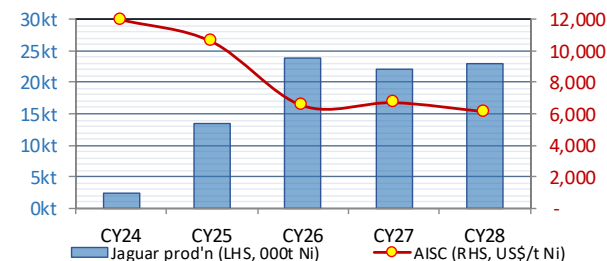
SOTP company valuation^	3Q21	3Q22	3Q23	3Q24	3Q25
Jaguar NPV	766	819	901	1,134	1,273
Centra G&A & fin. costs	(21)	(13)	(10)	(3)	14
Net cash prior quarter	20.4	11.8	108.5	(53)	(130)
Cash from ITM options	2.2	2.2	2.2	2.2	2.2
NAV (A\$m)	767	820	1,001	1,080	1,160
FD share count (m)	370	370	448	448	448
1xNAV7%/sh FF FD (A\$/sh)	2.07	2.22	2.24	2.41	2.59
ROI (% pa)		128%	52%	35%	28%

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	0.51	1.23	1.99	2.75	3.52
7.0% discount	0.61	1.38	2.19	3.00	3.81
5.0% discount	0.72	1.55	2.40	3.27	4.13

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)	11,189	9,802	5,617	5,431	5,010
AISC cost (US\$/t Ni)	11,953	10,559	6,503	6,695	6,126

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) 20.4
Drilling/FS cost (A\$m) 16.8	SCPe debt (A\$m) 151.9
Working cap >DFS (A\$m) 15.3	SCPe 0.6NAV equity (A\$m) 116.8
G&A and fin. cost (A\$m) 12.0	Total sources (A\$m) 289.1
Total uses: group (A\$m) 277.7	Drilling / buffer (A\$m) 11.4

Share data (m)	Basic	FD	3Q22 (FF FD)
Shares (m)	358.3	370.3	447.7

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Shares out (m)	325.9	329.5	447.7	447.7	447.7
EPS (Ac/sh)	-	-	-	-	-
CFPS before w/c (A\$/sh)	-	-	-	-	-
EV (A\$m)	292.0	303.5	424.2	377.0	568.0
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	183.1x

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Revenue (A\$m)	0.5	-	-	-	45.2
COGS (A\$m)	-	-	-	-	38.5
Gross profit (A\$m)	0.5	-	-	-	6.7
G&A (A\$m)	2.9	2.8	3.2	3.5	3.6
Exploration (A\$m)	7.3	7.8	3.0	-	-
Finance costs (A\$m)	0.1	-	-	-	10.6
Tax (A\$m)	-	-	-	-	0.1
Other (A\$m)	3.6	0.6	0.6	(0.2)	1.8
Net income (A\$m)	(13.3)	(11.2)	(6.8)	(3.3)	(9.5)

Cash flow statement	CY20E	CY21E	CY22E	CY23E	CY24E
EBITDA (A\$m)	(11.5)	(11.4)	(7.0)	(3.9)	3.1
Add share based (A\$m)	0.5	0.8	0.8	0.4	-
Net change wkg cap (A\$m)	(1.6)	-	-	1.7	15.3
Cash flow ops (A\$m)	(5.3)	(10.4)	(6.0)	(4.6)	(2.1)
PP&E - build + sust. (A\$m)	(1.2)	3.4	-	65.0	169.2
PP&E - expl'n (A\$m)	-	-	-	-	-
Cash flow inv. (A\$m)	1.2	(3.4)	-	(65.0)	(169.2)
Share issue (A\$m)	24.8	5.5	-	116.8	-
Debt draw (repay) (A\$m)	-	-	-	-	151.9
Cash flow fin. (A\$m)	24.8	5.5	-	116.8	151.9
Net change in cash (A\$m)	19.5	(8.0)	(6.0)	47.2	(39.2)

Balance sheet	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (A\$m)	24.1	16.1	10.1	57.3	18.1
Acc rec + invet. (A\$m)	0.2	0.2	0.2	0.0	27.9
PP&E & expl'n (A\$m)	9.5	12.6	12.6	77.6	243.9
Total assets (A\$m)	33.9	28.9	22.9	134.9	289.9
Debt (A\$m)	-	-	-	-	151.9
Accounts payable (A\$m)	1.9	1.9	1.9	-	12.7
Others (A\$m)	24.3	16.3	10.3	57.3	46.0
Total liabilities (A\$m)	7.7	7.7	7.7	5.8	170.3
Shareholders' equity (A\$m)	155.9	162.2	163.0	280.2	280.2
Reserves (A\$m)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)
Retained earnings (A\$m)	(121.5)	(132.7)	(139.5)	(142.8)	(152.3)
Liabilities + equity (A\$m)	33.9	28.9	22.9	134.9	289.9

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BUY:	45
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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