

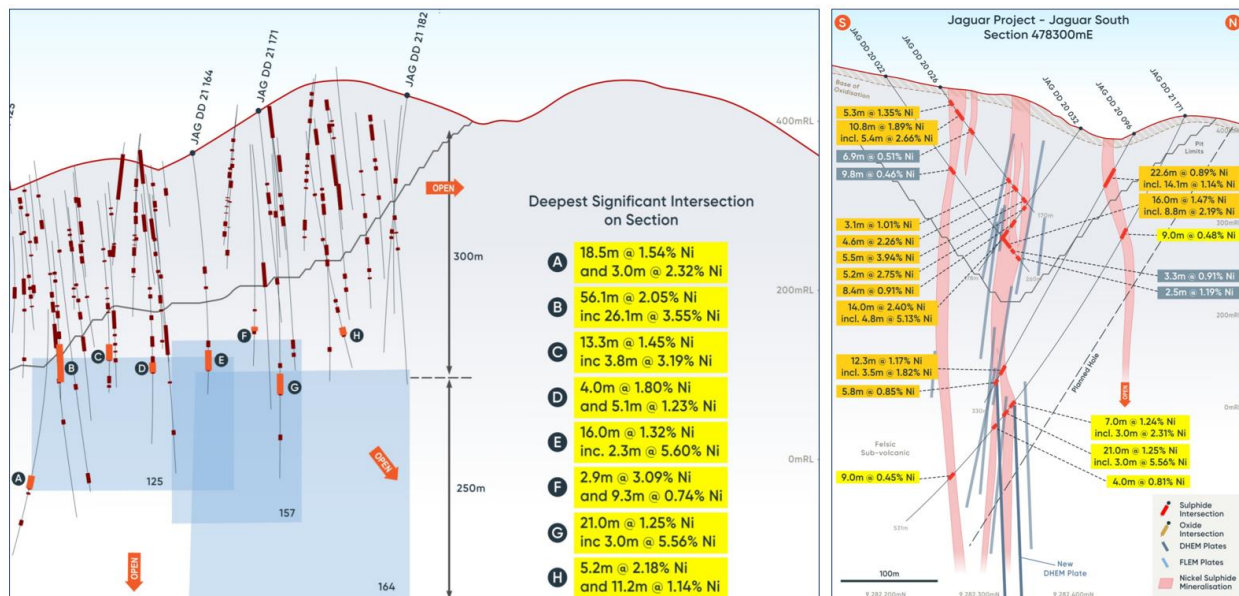
Ticker: CTM AU **2Q21 Cash:** A\$20m **Project:** Jaguar
Mkt cap: A\$387m **Price:** A\$1.08/sh **Country:** Brazil
RECOMMEND (unc): BUY **TARGET (unc):** A\$1.50/sh **RISK RATING:** HIGH

Today’s deep drilling, and deeper conductors more so, has caught us by surprise as we previously only modelled UG feed from the Oncas, not Jaguar South as released today. The Onca’s, being granitoid-hosted, are higher grade at 1.4% in the scoping study. However, the width and consistency of ~1.2% hits today are definitively bulk mineable. Specifically, 1.2% at US\$19k/t nickel and 78% recovery has US\$177/t recovered revenue. Even allowing for concentrate payability (more on POX next) of 75%, and net of processing and G&A costs, this leaves US\$50/t for mining, near identical to the US\$50.54/t mining costs. Where it gets more interesting is that while POX lifts payability to 100%, it comes with higher capex. However, if that cost is amortised over a longer life, as we expect after today’s news, it makes more and more sense, and also on opex where >50% margins could be expected on a bulk operation.

This part of the world is known for deep plumbing, with Vale’s Salobo pit optimised to ~700m below surface on a 0.6% Cu and 0.3g/t Au grade, hence the deep conductors reported today are probably more material than the drill results themselves. For example, the conductors extend over 500m strike, taking a 400m strike panel equates to 5Mt @ 10m thickness, a ~70% lift on existing 3.2Mt. We think the Australian market has slightly missed this; local investors are used to 3-4% grades, those are on extremely deep, small and capital intensive komatiite channels. For example, Western Areas reported a 3.3-3.8% grades in 1H21, yet only managed a 28% EBITDA margin, and that was eaten up by A\$43m of sustaining capex in the last 12M. That led to equity dilution (and 12M performance of 32% compared with Centaurus’ 120%), as we have seen with other Australian peers recently – again Centaurus stands out as commissioning on an UG almost always ends in equity dilution, not an issue at Jaguar given life starts in open pits.

As such, **we maintain our BUY rating and 0.5xNAV_{7%-8.50/lb} A\$1.50/sh PT.** We expected the discount to NAV to close slowly as the DFS progresses, but now think it could close far faster given recent regional and deep exploration success in recent weeks. More simply, current UG stopes are only constrained by the resource, and the resource is only constrained by drilling, so we wholeheartedly agree with current strategy – drill drill drill using A\$20m cash on hand and nine rigs.

Figure 1. (A) long- and (B) cross-section showing drill hits and new conductors at Jaguar South



Source: Centaurus

The advantage of hydrothermal nickel emerges as Jaguar roots arrive with ~1.25% Ni over 21m

Step down drilling from the deepest holes to date on the **Jaguar South** deposit intersected 21m @ 1.25% Ni (including 3m @ 5.6%), and 7m @ 1.24% (including 3.0m @ 2.31%). Using new (~750m depth penetration) down-hole EM, and starting from these deeper holes, DHEM outlined multiple strong conductors extending 270m deeper than existing drilling, with three overlapping ~260m strike panels (~500m combined strike). Step out drilling is underway at Onca Preta where previously reported deepest holes were 18m @ 2.2% and 8m @ 2.2% from 318m and 351m down hole, respectively. Infill at **Jaguar Central** reported today hit 41.5m @ 1.64%, including 21.2m @ 2.2%, while at **Jaguar West** and **Central North** highlights included 22m @ 0.5% and 14m @ 0.6%. Regional drilling is wrapping up at new target **Tigre** in coming weeks, with that rig to move to **Dente de Sabre**.

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

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: A108c/sh / A\$387m	P/NAV today: 0.39x	Country: Brazil
Author: B Salier, B Gaspar	Rec/0.5xNAV7% PT: BUY, A150c/sh	1xNAV7%4Q21 FF FD: A\$2.26c/sh	Asset: Jaguar

Commodity price	CY20E	CY21E	CY22E	CY23E	CY24E
Ni price (US\$/t)	19,170	19,170	19,170	19,170	19,170
Ni price (US\$/t, payable)	14,378	14,378	14,378	14,378	14,378
1xNAV project valuation*	A\$m	o/ship	NAVx	A\$/sh	
Jaguar NPV (build start)	940	100%	0.50x	1.27	
Regional exploration @ 7.5%	70.5	100%	1.0x	0.19	
Cash 2Q21	20.4	100%	1.0x	0.06	
Cash from ITM options	2.2	100%	1.0x	0.01	
1XNAV A\$ @ 1Q21	A\$1033m			1.52	

*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	232	487	741	992	1,243
7.0% discount	283	562	840	1,116	1,391
5.0% discount	342	649	955	1,259	1,562
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	0.63	1.31	2.00	2.68	3.36
7.0% discount	0.77	1.52	2.27	3.01	3.76
5.0% discount	0.92	1.75	2.58	3.40	4.22

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

SOTP company valuation^	3Q21	3Q22	3Q23	3Q24	3Q25
Jaguar NPV	831	889	975	1,214	1,363
Centra G&A & fin. costs	(18)	(9)	(6)	1	19
Net cash prior quarter	20.4	11.8	111.6	(50)	(131)
Cash from ITM options	2.2	2.2	2.2	2.2	2.2
NAV (A\$m)	836	894	1,083	1,168	1,254
FD share count (m)	370	370	442	442	442
1xNAV7%/sh FF FD (A\$/sh)	2.26	2.41	2.45	2.64	2.84
ROI (% pa)		124%	51%	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	0.53	1.28	2.05	2.84	3.63
7.0% discount	0.63	1.43	2.26	3.09	3.93
5.0% discount	0.75	1.60	2.48	3.37	4.26

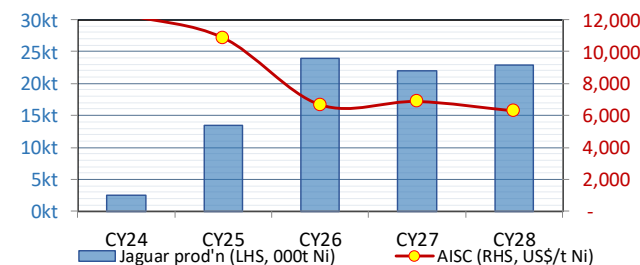
Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^

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)	11,492	10,067	5,769	5,578	5,145
AISC cost (US\$/t Ni)	12,287	10,855	6,691	6,891	6,306

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%	29.6	0.8%

Funding: uses	Funding: sources			
Capex (A\$m)	240	Cash 4Q20 (A\$m)	20.4	
Drilling/FS cost (A\$m)	16.8	SCPe debt (A\$m)	156.0	
Working cap >DFS (A\$m)	15.9	SCPe 0.6NAV equity (A\$m)	120.0	
G&A and fin. cost (A\$m)	12.0	Total sources (A\$m)	296.4	
Total uses: group (A\$m)	284.6	Drilling / buffer (A\$m)	11.7	

Share data (m)	Basic	FD	3Q22 (FF FD)
Shares (m)	358.3	370.3	442.0

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Shares out (m)	325.9	329.5	442.0	442.0	442.0
EPS (Ac/sh)	-	-	-	-	-
CFPS before w/c (A\$/sh)	-	-	-	-	-
EV (A\$m)	327.8	339.7	467.3	416.9	614.1
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	142.7x

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Revenue (A\$m)	0.5	-	-	-	47.5
COGS (A\$m)	-	-	-	-	39.6
Gross profit (A\$m)	0.5	-	-	-	7.9
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	-	-	-	10.9
Tax (A\$m)	-	-	-	-	0.3
Other (A\$m)	3.6	0.6	0.6	(0.3)	1.9
Net income (A\$m)	(13.3)	(11.2)	(6.8)	(3.3)	(8.8)

Cash flow statement	CY20E	CY21E	CY22E	CY23E	CY24E
EBITDA (A\$m)	(11.5)	(11.4)	(7.0)	(3.9)	4.3
Add share based (A\$m)	0.5	0.8	0.8	0.4	-
Net change wkg cap (A\$m)	(1.6)	-	-	1.7	15.9
Cash flow ops (A\$m)	(5.3)	(10.4)	(6.0)	(4.6)	(21.7)
PP&E - build + sust. (A\$m)	(1.2)	3.4	-	65.0	175.5
PP&E - expl'n (A\$m)	-	-	-	-	-
Cash flow inv. (A\$m)	1.2	(3.4)	-	(65.0)	(175.5)
Share issue (A\$m)	24.8	5.5	-	120.0	-
Debt draw (repay) (A\$m)	-	-	-	-	156.0
Cash flow fin. (A\$m)	24.8	5.5	-	120.0	156.0
Net change in cash (A\$m)	19.5	(8.0)	(6.0)	50.4	(41.2)

Balance sheet	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (A\$m)	24.1	16.1	10.1	60.5	19.2
Acc rec. + invet. (A\$m)	0.2	0.2	0.2	0.0	28.9
PP&E & expl'n (A\$m)	9.5	12.6	12.6	77.6	250.2
Total assets (A\$m)	33.9	28.9	22.9	138.1	298.3
Debt (A\$m)	-	-	-	-	156.0
Accounts payable (A\$m)	1.9	1.9	1.9	-	13.0
Others (A\$m)	24.3	16.3	10.3	60.5	48.1
Total liabilities (A\$m)	7.7	7.7	7.7	5.8	174.8
Shareholders' equity (A\$m)	155.9	162.2	163.0	283.4	283.4
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)	(151.6)
Liabilities + equity (A\$m)	33.9	28.9	22.9	138.1	298.3

DISCLOSURES & DISCLAIMERS

This research report (as defined in IIROC Rule 3400) is issued and approved for distribution in Canada by Sprott Capital Partners LP (“SCP”), an investment dealer who is a member of the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Canadian Investor Protection Fund (“CIPF”). The general partner of SCP is Sprott Capital Partners GP Inc. and SCP is a wholly-owned subsidiary of Sprott Inc., which is a publicly listed company on the Toronto Stock Exchange under the symbol “SII”. Sprott Asset Management LP (“SAM”), a registered investment manager to the Sprott Funds and is an affiliate of SCP. This research report is provided to retail clients and institutional investors for information purposes only. The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of SCP’s research department. The information in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does SCP and/or affiliated companies or persons assume any responsibility or liability whatsoever. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any securities. SCP accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein. Past performance is not a guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they generate may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Furthermore, the securities discussed in this research report may not be liquid investments, may have a high level of volatility or may be subject to additional and special risks associated with securities and investments in emerging markets and/or foreign countries that may give rise to substantial risk and are not suitable for all investors. SCP may participate in an underwriting of, have a position in, or make a market in, the securities mentioned herein, including options, futures or other derivatives instruments thereon, and may, as a principal or agent, buy or sell such products.

DISSEMINATION OF RESEARCH: SCP’s research is distributed electronically through email or available in hard copy upon request. Research is disseminated concurrently to a pre-determined list of clients provided by SCP’s Institutional Sales Representative and retail Investment Advisors. Should you wish to no longer receive electronic communications from us, please contact unsubscribe@sprott.com and indicate in the subject line your full name and/or corporate entity name and that you wish to unsubscribe from receiving research.

RESEARCH ANALYST CERTIFICATION: Each Research Analyst and/or Associate who is involved in the preparation of this research report hereby certifies that:

- The views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report;
- His/her compensation is not and will not be directly related to the specific recommendations or view expressed by the Research analyst in this research report;
- They have not affected a trade in a security of any class of the issuer within the 30-day period prior to the publication of this research report;
- They have not distributed or discussed this Research Report to/with the issuer, investment banking group or any other third party except for the sole purpose of verifying factual information; and
- They are unaware of any other potential conflicts of interest.

UK RESIDENTS: Sprott Partners UK Limited (“Sprott”) is an appointed representative of PillarFour Securities LLP which is authorized and regulated by the Financial Conduct Authority. This document has been approved under section 21(1) of the FMSA 2000 by PillarFour Securities LLP (“PillarFour”) for communication only to eligible counterparties and professional clients as those terms are defined by the rules of the Financial Conduct Authority. Its contents are not directed at UK retail clients. PillarFour does not provide investment services to retail clients. PillarFour publishes this document as non-independent research which is a marketing communication under the Conduct of Business rules. It has not been prepared in accordance with the regulatory rules relating to independent research, nor is it subject to the prohibition on dealing ahead of the dissemination of investment research. It does not constitute a personal recommendation and does not constitute an offer or a solicitation to buy or sell any security. Sprott and PillarFour consider this note to be an acceptable minor non-monetary benefit as defined by the FCA which may be received without charge. This is because the content is either considered to be commissioned by Sprott’s clients as part of their advisory services to them or is short term market commentary. Neither Sprott nor PillarFour nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error or incompleteness of fact or opinion in it or lack of care in its preparation or publication; provided that this shall not exclude liability to the extent that this is impermissible under the law relating to financial services. All statements and opinions are made as of the date on the face of this document and are not held out as applicable thereafter. This document is intended for distribution only in those jurisdictions where PillarFour is permitted to distribute its research.

IMPORTANT DISCLOSURES FOR U.S. PERSONS: This research report was prepared by Sprott Capital Partners LP (“SCP”), a company authorized to engage in securities activities in Canada. SCP is not a registered broker/dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Sprott Global Resource Investments Ltd. (“SGRIL”), a broker dealer in the United States registered with the Securities Exchange Commission (“SEC”), the Financial Industry Authority (“FINRA”), and a member of the Securities Investor Protection Corporation (“SIPC”). Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through SCP.

SGRIL accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. The analyst whose name appears in this research report is not licensed, registered, or qualified as a research analyst with FINRA and may not be an associated person of SGRIL and, therefore, may not be subject to applicable restrictions under FINRA Rule 2241 regarding communications by a research analyst with a subject company, public appearances by the research

analyst, and trading securities held by a research analyst account. To make further inquiries related to this report, United States residents should contact their SGRIL representative.

ANALYST CERTIFICATION / REGULATION AC: The analyst and associate certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers. In addition, the analyst and associate certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

SPROTT CAPITAL PARTNERS EXPLANATION OF RECOMMENDATIONS: Should SCP issue research with recommendations, the research rating guidelines will be based on the following recommendations:

BUY: The stocks total returns are expected to be materially better than the overall market with higher return expectations needed for more risky securities markets

NEUTRAL: The stock's total returns are expected to be in line with the overall market

SELL: The stocks total returns are expected to be materially lower than the overall market

TENDER: The analyst recommends tendering shares to a formal tender offering

UNDER REVIEW: The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

NOT RATED ((N/R): The stock is not currently rated

Research Disclosure		Response
1	SCP and its affiliates collectively beneficially owns 1% or more of any class of the issuer's equity securities ¹	YES
2	The analyst or any associate of the analyst responsible for the report or recommendation or any individual directly involved in the preparation of the report holds or is short any of the issuer's securities directly or through derivatives	NO
3	An SCP partner, director, officer or analyst involved in the preparation of a report on the issuer, has during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trading execution services	NO
4	SCP has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation	NO
5	Name of any director, officer, employee or agent of SCP who is an officer, director or employee of the issuer, or who serves in an advisory capacity to the issuer	NO
6	SCP is making a market in an equity or equity related security of the issuer	NO
7	The analyst preparing this report received compensation based upon SCP's investment banking revenue for the issuer	NO
8	The analyst has conducted a site visit and has viewed a major facility or operation of the issuer	NO
9	The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

Sprott Capital Partners Equity Research Ratings:

Summary of Recommendations as of September 2021	
BUY:	46
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

¹ As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month