

**Ticker:** CTM AU

**Cash:** A\$34m

**Project:** Jaguar

**Mkt cap:** A\$378m

**Price:** A\$0.885/sh

**Country:** Brazil

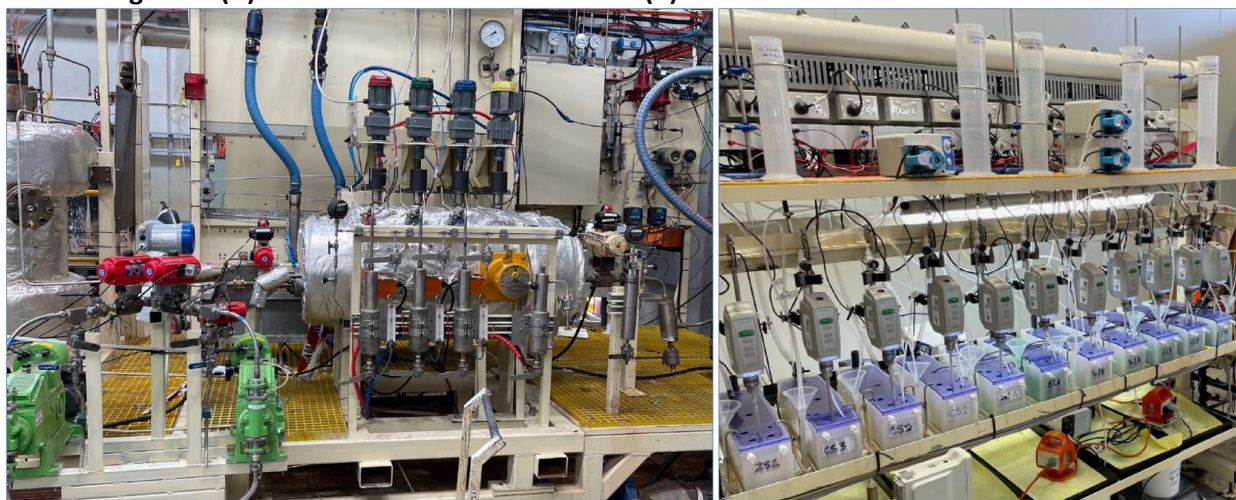
**REC. (unc):** BUY

**TARGET (unc):** A\$3.10/sh

**RISK RATING (unc):** HIGH

Today's update on metallurgy and pilot plant testing sees a combined float concentrate and POX+solvent extraction recovery of 76% to date, a slight dip (-1%) from last value-add scoping study and our modelled 77%. However, we think any lower recoveries should 'come out in the wash' on a 'like for like' nickel sulphate product basis from new scalable pilot plant methods, given the premiums for the higher-quality, lower-risk product – key for downstream EV applications. Hence the time and effort on pilot test work are warranted here. Additionally, it's worth noting the potential upside from today's results on saleable by-product not previously accounted for in economic studies, with zinc hydroxide suitable for smelter intake and Phase 3 cobalt hydroxide product testing currently under way. With DFS and FEED teams assembled now and ~A\$34m in the treasury, the team is well equipped for upcoming technical/design work. As such, **we maintain our BUY rating and our A\$3.10/sh PT based on 0.6xNAV<sub>7%-9.50</sub> on 45Mt / 364kt Ni inventory.** Centaurus is a tale of two halves, existing holders would of course liked the DFS sooner rather than later and may have lost focus as gold jumps into the limelight, but from the outside looking in, the next 18M is the best in our view as the ultimate derisking hits via the DFS and mining permit. While less interesting to retail's insatiable appetite for drill holes, for either construction or M&A, these are 'the' catalysts. As the best publicly trading nickel sulphide asset globally (on size, grade, valuation combo), we see the recent macro and 'DFS valley' pull back as the perfect opportunity new investors with a view over 12M to join the register.

**Figure 1. (A) 'Phase 1' POX in autoclave and (B) 'Phase 2' Zn and Ca solvent extraction**



Source: Centaurus

## Ongoing pilot testing sees 98.6% Ni sulfide POX & new potential by-product streams; 4Q23 DFS

Centaurus reports results from metallurgy and pilot plant (four phase) test work. Flotation studies achieved a **94% sulphide Ni recovery to concentrate** (78% recovery of total Ni, including sulphides + non-sulphides, based on the average head grade of the MRE). 'Phase 1' pilot testing saw autoclave oxidative pressure leach (POX) yield **98.6% Ni sulphide extraction** while 'Phase 2' solvent extraction processes saw **99% of Zn and Ca** extracted from leach solution, indicating that a high purity zinc hydroxide can be produced as a saleable by-product. 'Phase 3' is currently underway, testing solvent extraction of cobalt (for by-product revenue stream) and Mg. Final / 'Phase 4' studies with April-end completion target, will test the purification of the nickel solution to nickel sulphate product. With pilot testing ongoing, DFS is now forecast for 4Q23 with FID in 3Q24. Additionally, to support DFS and FEED work, Centaurus has added key personnel including **Mick Ryan** (project manager), **Sarah Mitchell** (consultant metallurgist), **Barun**

**Dutta** (engineering manager), **Glenn Firth** (environmental and compliance specialist), and **Richard Kelly** (project engineer).

## Why we like Centaurus Metals

1. Only >1Mt Ni contained, <\$500m capex, pitable nickel sulphide junior globally
2. Favourable macro as EV's see 24% Ni demand lift to 2024 against 2021 production numbers
3. CO<sub>2</sub> / energy security value with <1/10<sup>th</sup> the CO<sub>2</sub> of laterites, and location outside Russia
4. Taking 'best trodden' new route to management, POX; lower technical risk vs. carbonyl route
5. 10Y 75% tax-breaks in well known mining jurisdiction (no rainforest, RAP, indigenous)

## Catalysts

1. 2H23: reserves/DFS
2. 2023: step-out / extensional and Jaguar Deeps drilling
3. 2023: greenfields regional exploration drilling
4. 2023: updated MRE
5. 2023: advance permitting

## Research

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<b>Ticker:</b> CTM AU	<b>Price / mkt cap:</b> A89c/sh / A\$378m	<b>P/NAV today:</b> 0.17x	<b>Country:</b> Brazil
<b>Author:</b> B Salier/E Magdzinski	<b>Rec/0.6xNAV7% PT</b> BUY, A310c/sh	<b>1xNAV<sub>4Q22</sub> FF FD:</b> A\$4.98c/sh	<b>Asset:</b> Jaguar

Commodity price	CY20A	CY21A	CY22E	CY23E	CY24E
Ni price (US\$/t)	20,944	20,944	20,944	20,944	20,944
Ni price (US\$/t, payable)	20,546	20,546	20,546	20,546	20,546
1xNAV project valuation*	A\$m	o/ship	NAVx	A\$/sh	
Jaguar NPV (build start)	1,735	100%	1.0x	3.97	
Resources ex reserve @ 3% insitu	445	100%	1.0x	1.02	
Cash at 4Q22	34.0	100%	1.0x	0.08	
Cash from ITM options	1.2	100%	1.0x	0.00	
<b>1XNAV A\$ @ 1Q23</b>	<b>2,215</b>			<b>5.07</b>	

\*Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.17x

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	1,248	1,616	1,984	2,351	2,719
7.0% discount	1,397	1,806	2,215	2,625	3,034
5.0% discount	1,575	2,034	2,492	2,950	3,409
Ungeared project IRR:	41%	51%	60%	69%	78%
Group NAV (A\$/sh)	16,535	18,739	20,944	23,149	25,353
9.0% discount	2.86	3.70	4.54	5.39	6.23
7.0% discount	3.20	4.14	5.07	6.01	6.95
5.0% discount	3.61	4.66	5.71	6.76	7.81

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

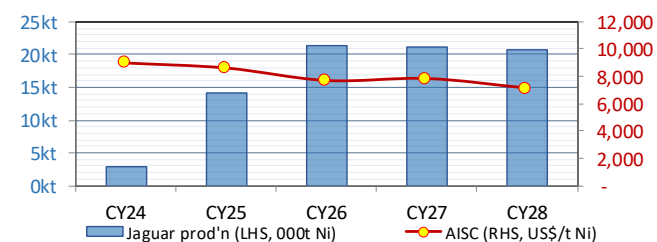
SOTP company valuation^	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
Jaguar NPV	1,766	1,902	2,353	2,331	2,169
Resources ex reserve	445	445	445	445	445
Central G&A & fin costs	(73)	(70)	(51)	(30)	(14)
Net cash prior quarter	34.0	143.8	(176.8)	(27.8)	257.8
Cash from ITM options	1.2	1.2	1.2	1.2	1.2
NAV (A\$m)	2,173	2,423	2,572	2,720	2,859
FD share count (m)	437	498	498	498	498
1xNAV7%/sh FF FD (A\$/sh)	4.98	4.87	5.17	5.47	5.74
<b>0.6xNAV7% PT:</b>			<b>3.10</b>		

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	1,529	1,953	2,376	2,799	3,223
7.0% discount	1,654	2,113	2,572	3,030	3,489
5.0% discount	1,800	2,300	2,800	3,300	3,800

Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^					
1xNAV (A\$/sh)	16,535	18,739	20,944	23,149	25,353
9.0% discount	2.81	3.75	4.71	5.67	6.63
7.0% discount	3.10	4.13	5.17	6.21	7.25
5.0% discount	3.45	4.57	5.70	6.84	7.98

Production (Y1 from 3Q20)	CY24	CY25	CY26	CY27	CY28
Jaguar production (000t Ni)	2.9	14.2	21.4	21.1	20.7
C1 cost (US\$/t Ni)	8,286	7,909	6,972	7,101	6,195
AISC cost (US\$/t Ni)	9,004	8,625	7,687	7,840	7,118

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:	36.6 0.76%
Inferred	22.2	1.06%	UG:	8.5 1.01%
	108.0	0.99%	Total	45.1 0.81%

Funding: uses	Funding: sources		
Capex (A\$m)	379	Cash at 4Q22	34.0
Drilling/FS cost (A\$m)	27.0	SCPe debt (A\$m)	246.1
Working cap >DFS (A\$m)	21.7	SCPe 0.5NAV equity (A\$m)	155.0
G&A and fin. cost (A\$m)	24.1	Total sources (A\$m)	435.2
Total uses: group (A\$m)	451.5	Drilling / buffer (A\$m)	-16.3

Share data (m)	Basic	FD	FF FD
Shares (m)	427.1	436.6	497.7

Ratio analysis	CY20A	CY21A	CY22E	CY23E	CY24E
Shares out (m)	325.9	329.5	427.1	497.7	497.7
EPS (Ac/sh)	-	-	-	-	2.2
CFPS before w/c (A\$/sh)	-	-	-	-	-
EV (A\$m)	264.3	283.3	343.9	296.7	617.2
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	40.4x
P/C (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	16.0x

Income statement	CY20A	CY21A	CY22E	CY23E	CY24E
Revenue (A\$m)	0.5	-	-	-	78.7
COGS (A\$m)	-	-	-	-	34.6
<b>Gross profit (A\$m)</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44.1</b>
G&A (A\$m)	2.9	2.7	4.1	5.9	5.4
Exploration (A\$m)	7.3	12.9	37.6	4.0	-
Finance costs (A\$m)	0.1	-	-	-	17.2
Tax (A\$m)	-	-	(0.3)	-	6.7
Other (A\$m)	3.6	0.7	(1.3)	(0.2)	3.9
<b>Net income (A\$m)</b>	<b>(13.3)</b>	<b>(16.3)</b>	<b>(40.2)</b>	<b>(9.7)</b>	<b>10.9</b>

Cash flow statement	CY20A	CY21A	CY22E	CY23E	CY24E
EBITDA (A\$m)	(11.5)	(16.4)	(41.7)	(9.9)	38.7
Add share based (A\$m)	0.5	0.8	-	-	-
Net change wkg cap (A\$m)	(1.6)	-	(3.2)	5.0	21.7
<b>Cash flow ops (A\$m)</b>	<b>(5.3)</b>	<b>(15.5)</b>	<b>(37.0)</b>	<b>(14.6)</b>	<b>(6.5)</b>
PP&E - build + sust. (A\$m)	(1.2)	5.8	6.1	65.0	314.0
PP&E - expl'n (A\$m)	-	-	0.4	-	-
<b>Cash flow inv. (A\$m)</b>	<b>1.2</b>	<b>(5.8)</b>	<b>(6.9)</b>	<b>(65.0)</b>	<b>(314.0)</b>
Share issue (A\$m)	24.8	5.5	72.7	189.3	-
Debt draw (repay) (A\$m)	-	-	-	-	246.1
<b>Cash flow fin. (A\$m)</b>	<b>24.8</b>	<b>5.5</b>	<b>72.7</b>	<b>189.3</b>	<b>246.1</b>
Net change in cash (A\$m)	19.5	(16.0)	29.0	109.7	(74.4)

Balance sheet	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (A\$m)	24.1	8.3	34.0	143.8	69.3
Acc rec. + invet. (A\$m)	0.2	0.2	0.7	0.0	33.1
PP&E & expl'n (A\$m)	9.5	15.3	22.4	87.4	397.1
<b>Total assets (A\$m)</b>	<b>33.9</b>	<b>23.8</b>	<b>57.2</b>	<b>231.2</b>	<b>499.6</b>
Debt (A\$m)	-	-	-	-	246.1
Accounts payable (A\$m)	1.9	1.9	5.7	-	11.4
Others (A\$m)	24.3	8.5	34.8	143.8	102.4
Total liabilities (A\$m)	7.7	7.7	10.2	4.5	262.0
Shareholders' equity (A\$m)	155.9	162.2	236.3	425.6	425.6
Reserves (A\$m)	(8.3)	(8.3)	(6.8)	(6.8)	(6.8)
Retained earnings (A\$m)	(121.5)	(137.8)	(182.4)	(192.0)	(181.2)
<b>Liabilities + equity (A\$m)</b>	<b>33.9</b>	<b>23.8</b>	<b>57.3</b>	<b>231.3</b>	<b>499.7</b>

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TENDER:	1
NOT RATED:	0
TOTAL	55

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