

SPEC BUY

Current Price \$0.45
Target Price \$0.62

Ticker: **CTM**
Sector: **Metals & Mining**

Shares on Issue (m): **261.5**
Market Cap (\$m): **117.7**
Net Cash est. (\$m): **5.0**
Enterprise Value (\$m): **112.7**
52 wk High/Low: **\$0.34 \$0.07**
12m Av Daily Vol (m): **0.8**

Brazil Projects **Stage**
Jaguar Nickel Project (100%) Resource Definition
Jambreiro Iron Ore Project (100%) PFS
Itapitanga Nickel-Cobalt Project Farm-out

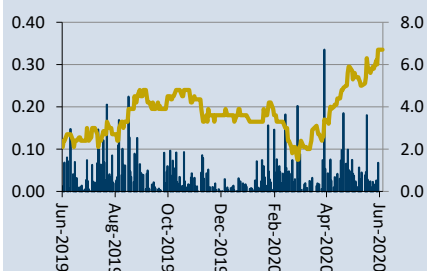
Reserve and Resources
Jaguar Indicated and Inferred
Mt Ni % Contained Ni (kt)
48 1.08 517.5
Jambreiro Iron Ore Reserve (PFS sinter product)
Mt Fe % Si % Al %
17.9 65 4.3 0.8

Cashflows 2018 2019
Operating Cashflow -4.1 -3.6
Investing Cashflow 0.0 -0.2
Cash Balance 1.4 9.7

Directors:
Didier Murcia Chairman
Darren Gordon MD and CEO
Bruno Scarpelli Executive Director
Mark Hancock Non-Executive Director
Chris Banasik Non-Executive Director

Major Shareholders (%)
Harmanis Holdings 5.1%
Taurus Asset Management NA
Sprott Asset Management NA
Board and Management 5.0%

Share Price Graph (A\$/sh) and Trading Vol (Msh)



Please refer to important disclosures at end of the report (from page 5)

Monday, 29 June 2020

Centaurus Metals (CTM)

Outstanding Maiden JORC Resource

Analysts: Matthew Keane | Michael Eidne

Quick Read

Centaurus Metals (CTM) has delivered a maiden JORC Resource for its Jaguar Nickel Sulphide Project in the Carajás Mineral Province of northern Brazil. The Resource incorporated 48Mt @ 1.1% Ni for 517.5kt contained nickel, with a higher-grade component of 20.6Mt @ 1.6% Ni for 321.4kt contained nickel. Jaguar represents a rare large tonnage, high grade, open pit nickel sulphide deposit located in an established infrastructure rich mining jurisdiction. The Company is due to release a Scoping Study in the coming 3-4 months and ongoing drilling will continue a steady stream of newsflow.

Event & Impact: Maiden JORC Resource - Positive

Resource a big beat of Argonaut's forecast: The Maiden JORC Resource for Jaguar incorporated 48Mt @ 1.1% Ni, 0.1% Cu and 0.03% Co for 517.5kt contained nickel, with a higher-grade component of 20.6Mt @ 1.6% Ni for 321.4kt contained nickel. This is substantially higher than Argonaut's prior estimate for the higher-grade sub-resource of 7Mt @ 1.5% Ni (to 150m below surface) and a significant increase in both tonnage and grade on the previous global non-JORC Resource of 40.4Mt @ 0.8% Ni. Of the total Maiden JORC Resource, 29% or 11.5Mt @ 1.3% Ni was in the Indicated category and 98% of contained metal was in fresh sulphides. The Resource is largely open pit with ~70% of metal within 200m vertical depth below ground surface.

Scale, grade and shallow depth - The basis for a compelling development scenario: Jaguar's large scale, high-grade and open pit potential should enable high margin nickel production. The project's location in the well-established Carajás mining province provides access to grid power, adequate water, transport routes to port, mining services and an experienced mining population, which will facilitate low capital development. Permitting will benefit from substantial baseline work already undertaken by the project's previous owner, Vale. A Scoping Study is due in the coming 3-4 months, which will be underpinned by the Indicated Resource stated above.

Resource growth expected: Infill and extensional drilling is ongoing with two diamond rigs currently operating on day shift only, limited by the current COVID-19 outbreak. This will ramp up to three diamond rigs double shifting and the addition of an RC rig from Q3 2020. Jaguar has the potential for further discoveries outside of known mineralisation, with a number of coincident geochemical and aeromagnetic targets yet to be tested, particularly in the western regions of the project area (see Argonaut's previous research [link](#)).

Recommendation

Argonaut has revised its valuation to \$0.62ps (from \$0.35ps) applying an EV/Resource multiple of A\$300/t contained nickel. On a DCF basis, derived from our envisaged development scenario, we achieve a \$1.96ps valuation (detailed on Page 2). CTM presents as deep value, currently trading on an EV/Resource of A\$187, versus its ASX peer average of A\$274/t. SPEC BUY recommendation maintained.

Valuation

Argonaut values CTM on an EV/Resources basis, applying A\$300 per tonne contained Ni...

No development studies have been published on Jaguar by either CTM or previous owner Vale. As such, we regard an EV/Resource multiple for contained nickel as the best means to value the project. However, we note that Jaguar has a number of unique attributes (namely high grade and open pit potential), which make it challenging to find viable analogies. Our comparative list includes pre-production listed companies with a nickel sulphide project(s) as their primary asset. We have only included those projects with an existing resource. Nickel laterite or nickel limonite deposits have been excluded due to their vastly different processing routes (i.e. pressure acid leaching) and different end products. The ASX nickel sulphide peer group has a mean EV/Resource of A\$274/t and the global listed average is A\$255/t (see Figure 2. over). We have applied A\$300/t to Jaguar to derive a project valuation of ~A\$157m. We regard this to be conservative, given the open pit potential, the presence of a higher-grade core and the advanced nature of the project. We value exploration upside at Jaguar and other exploration properties, including the fully permitted Jambreiro Iron Ore Project (100% CTM), at A\$32m.

...which values Jaguar at A\$157m

Table 1. Argonaut's sum of parts valuation for CTM

Sum of Parts	Value (A\$m)	Value (A\$/ps)
Jaguar Nickel Project	157.0	0.60
Jaguar Exploration Upside	20	0.08
Other Exploration Properties	12	0.05
Corporate and Overheads	-33	0.13
Cash est.	5	0.02
Debt est.	0	-
Total	161.2	0.62

Source: Argonaut

Applying a DCF valuation, using Argonaut's best mine assumption's...

Discounted cashflow valuation

On a discounted cashflow (DCF) basis, we believe Jaguar could be valued at ~A\$300m based on spot nickel prices and FX rates or ~A\$500m based on Argonaut's long term commodity price and FX assumptions (Ni price US\$15,432/t and AUD/USD 0.72). We have assumed a 9-year open pit operation with a head grade of 1.5% followed by a 4-year underground operation grading 2.5%. Capital and operating costs assumptions are largely based upon other base metal development projects, foremost OZ Minerals' Antas and Petra Branca copper/gold projects also located in the Carajás region of Brazil.

...derives a valuation of ~A\$500m for the project

Table 2. What Jaguar could be worth on a discounted cashflow basis

Metric	Measure	Value	Metric	Measure	Value
Timing			Costs		
Start Construction	Yr	2024	Preproduction Capex	US\$m	160
Start Mining	Yr	2025	Sustaining/Development Capex	US\$m LOM	97.5
Open Pit Mining			Operating costs	US\$/lb	3.05
Open Pit Mine Life	Yrs	9	AISC	US\$/lb	3.57
Open Pit Ni Grade	%	1.5%	Financials		
Open pit mine output	Mtpa	1.5	Average Ni Price	US\$/t	15,432
Strip Ratio	Waste/Ore	10	Ni Payability	%	70%
Underground Mining			Corporate Tax Rate	%	25%
Underground Mine Life	Yrs	4	Total Royalty Rate	%	5%
Underground Ni Grade	%	2.50%	Discount Rate	%	11%
Underground Mine Output	Mtpa	1.0	AUD/USD FX	#	0.72
Processing			Net Present Value	A\$m	\$502
Throughput	Mtpa	1.0-1.5			
LOM Throughput	Mt	18			
Ni Recovery	%	80%			

Source: Argonaut

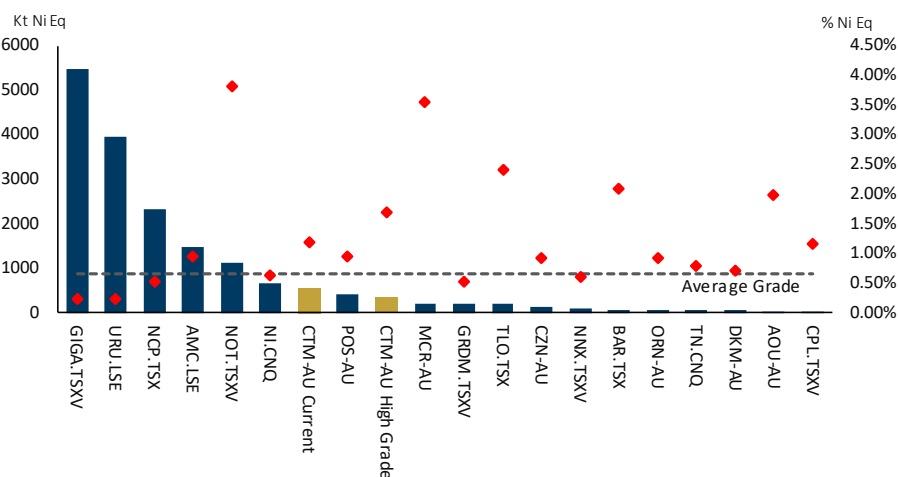
Note: Argonaut's DCF model incorporates Cu and Co recoveries and revenue, which are applied to the cash costs and AISC

CTM has one of the largest tonnage and highest grade resources versus its peers

Peer Comparisons

CTM's contained nickel equivalent inventory ranks well against listed peers. Compared to companies with open pittable resources (e.g. Giga Metals' Turnagain Project), it contains one of the best grade to tonnage ratios. We also note the value disparity between CTM and ASX nickel explorers, namely Legend Mining (LEG) and Chalice Gold Mines (CHN), with enterprise values (EV) of \$331m and \$272m respectively. While we recognised both have Australian domiciled discoveries, which the market is willing to pay a premium for, they are very early stage, pre-resource nickel plays.

Figure 1. Nickel grade and contained Ni Eq for comparable listed nickel development companies

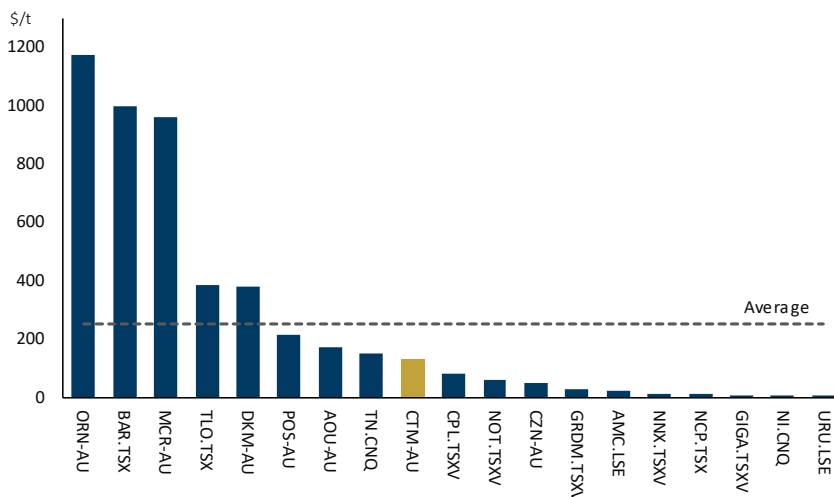


Source: S&P Market Intelligence, Company Reports
The CTM high grade is based on the sub-resource stated in the 29 June 2020 update

The Company presents deep value on an EV/Resource basis

CTM scans as deep value on an EV/Resource basis compared to its peers. This is particularly true when compared to its underground ASX peers, namely Orion Minerals (ORN) and Mincor Resources (POS).

Figure 2. EV/Resource for selected listed comparable Nickel development companies



Source: S&P Market Intelligence, Company Reports.
Based on CTM JORC Ni Resource 29 June 2020. All stocks on a Ni Eq basis

Outstanding Maiden JORC Resource

The maiden Jaguar Resource was 48Mt grading 1.1% Ni...

...including a higher-grade component of 20.6Mt @1.6% Ni...

29% was in the Indicated Category...

...with 98% of metal in fresh sulphides and 70% within 200m vertical depth of surface

The Resource is comprised of six deposits...

...with the largest being Jaguar South containing 15.5Mt @ 1.1% Ni

The Maiden JORC Resource for Jaguar incorporated 48Mt @ 1.1% Ni, 0.1% Cu and 0.02% Co for 517.5kt contained nickel, with a higher-grade component of 20.6Mt @ 1.6% Ni for 321.4kt contained nickel. Key outputs/assumptions of the resource included:

- 29% or 148.5kt contained Ni in Indicated Category
- 70% within 200m of the ground surface
- 98% or 505.8kt Ni within fresh sulphide ore
- ~2% of metal in transitional sulphides
- Open-pit ore cut-off grade 0.5% Ni, down to 200m vertical depth
- Underground ore cut-off grade 1.0% Ni, beyond 200m vertical depth
- The resource was derived from 6 deposits
- Jaguar South is the most significant Resource with 15.5Mt @ 1.1% Ni
- Onça Preta is the highest-grade Resource with 3.6Mt @ 1.6% Ni
- Grade estimation was by Ordinary Kriging for Ni, Cu, Co, Fe, Mg, Zn and As using GEOVIA Surpac™ software
- Mineralised domains were modelled using Leapfrog™ software's
- The block model applied 10m (E) by 2m (N) by 10m (RL) parent cells, sub-celled at the domain boundaries
- Indicated Resources nominally used 50m E by 40m N spaced drilling

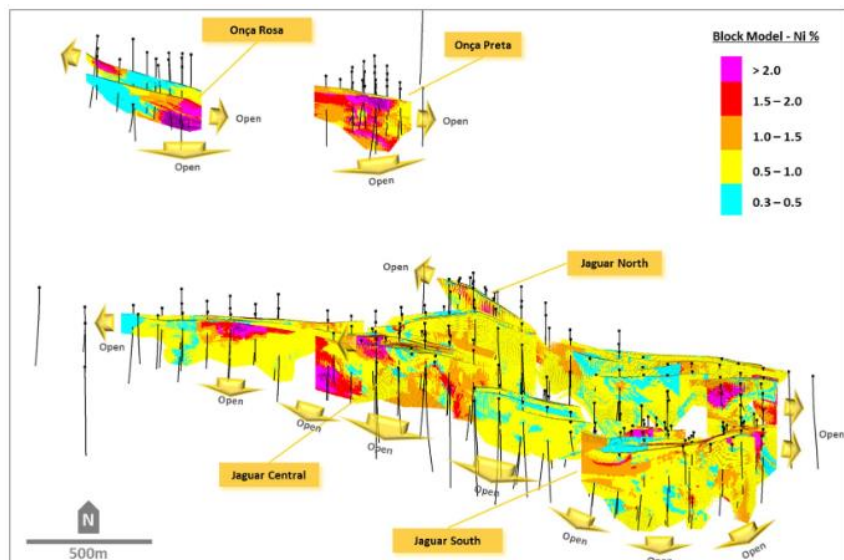
Figure 1. Jaguar Project maiden JORC Mineral Resource estimate

Ni% Cut-off Grade		Tonnes Mt	Ni %	Grade Cu %	Co ppm	Contained Metal Tonnes		
Surface - 200m	+ 200m					Ni	Cu	Co
0.3	1.0	55.6	0.99	0.07	265	549,500	37,600	14,700
0.4	1.0	53.0	1.02	0.07	272	540,300	37,000	14,400
0.5	1.0	48.0	1.08	0.07	288	517,500	35,500	13,800
0.6	1.0	40.8	1.17	0.08	311	478,200	32,800	12,700
0.7	1.0	34.4	1.27	0.09	335	436,400	29,800	11,500
0.8	1.0	28.7	1.37	0.09	361	393,700	26,600	10,300
0.9	1.0	24.4	1.47	0.10	383	357,300	23,700	9,300
1.0	1.0	20.6	1.56	0.10	407	321,400	20,500	8,400
1.1	1.1	16.9	1.67	0.11	449	283,400	18,400	7,600
1.2	1.2	13.9	1.79	0.12	498	248,400	16,600	6,900
1.3	1.3	11.6	1.90	0.13	551	219,400	15,200	6,400

* Totals are rounded to reflect acceptable precision, subtotals may not reflect global totals.

Source: CTM

Figure 2. Block model location visual or deposits comprising the Jaguar Resource



Source: CTM

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