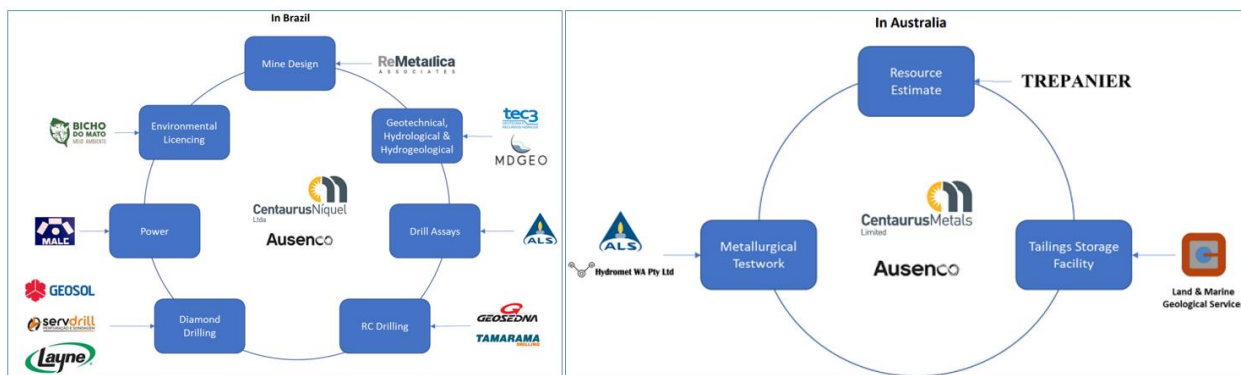


Ticker: CTM AU **SCPe cash:** ~A\$78m **Project:** Jaguar
Mkt cap: A\$505m **Price:** A\$1.20/sh **Country:** Brazil
RECOMMEND (unc): BUY **TARGET (unc):** A\$2.60/sh **RISK RATING:** HIGH

Ausenco appointed to lead the Jaguar DFS, for plan engineering but all so infrastructure, is very positive in our view, as Ausenco is a tier one EPC firm, with relevant experience on the likes of Horizonte (large Ni project in Brazil) Serrote copper (Appian), Santa Luz (Equinox FS), and Equinox's Arizona expansions / restart (Brazil). More important they have POX experience at Sepon (Cu) and base metal LatAm experience with Mina Justa in Peru (vat leach Cu), coordinating from Perth for efficient time zones. The in-country office / expertise is useful, and should provide more accurate costing to reflect the current inflationary environment. As such, **we maintain our BUY rating and our A\$2.60/sh PT based on 0.6xNAV^{7%-9.50}**. Looking forward, the catalysts are very simply, drill success, followed by a mid-year MRE and 2H22 DFS. Additionally, nickel prices and our estimated 0.23xNAV current valuation give fundamental and value support.

Figure 1. Internal / external consultants to work on on the DFS in (A) Brazil and (B) Australia



Source: Centaurus

‘Best in class’ engineering firm appointed to lead DFS; Ausenco leveraging in-country expertise

Centaurus appointed Ausenco as Lead Engineer for the Jaguar DFS targeted for completion by the end of 2022. On scope: Ausenco will focus both on process plant and selected non-process infrastructure (NPI) engineering services for the DFS – and will coordinate the overall delivery of the DFS in conjunction with experienced Centaurus in-house operational personnel. On costs: Ausenco will leverage in country experience to ensure that construction costs and productivity assessments are in alignment with the current / local cost environment. Other DFS activities including geotechnical drilling and metallurgical programs are progressing well and are expected to be completed toward the end of 1Q22 and early 2Q22 respectively.

Why we like Centaurus Metals

1. Only >500kt Ni contained, <\$500m capex, pitable nickel sulphide junior globally
2. Ten rigs drilling now lifting to 14 shortly
3. POX suitable given water / limestone / cheap hydro not available in Australia
4. 10Y 75% tax-breaks in well known mining jurisdiction (no rainforest, RAP, indigenous)
5. Industry-leading CO₂ intensity, and hydroxide sales to EV market for ESG mandated investors

Catalysts

1. 1H22: Drill results from 10, lifting to 14, rigs
2. Mid-2022: MRE update
3. 4Q22: BFS
4. 2H23 / CY24: construction start / target first production

Research

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Ticker: CTM AU Author: B Salier, B Gaspar		Price / mkt cap: A120c/sh / A\$505m Rec/0.6xNAV7% PT: BUY, A260c/sh		P/NAV today: 0.24x 1xNAV7%4Q21 FF FD: A\$3.88c/sh		Country: Brazil Asset: Jaguar		
Commodity price		CY20A	CY21E	CY22E	CY23E	CY24E	Resource/Inventory	
Ni price (US\$/t)		20,944	20,944	20,944	20,944	20,944	Mt NiEq %	
Ni price (US\$/t, payable)		20,546	20,546	20,546	20,546	20,546	4Q21 JORC SCp inventory	
1xNAV project valuation*		A\$m	o/ship	NAVx	A\$/sh	M&I 43.4 1.02%		
Jaguar NPV (build start)		1,835	100%	1.0x	4.22	Inferred 37.2 0.99%		
Regional exploration @ 15%		275	100%	1.0x	0.63	80.6 1.00% Total 36.6 0.76%		
Pro-forma cash		78.8	100%	1.0x	0.18	Funding: uses		
Cash from ITM options		2.2	100%	1.0x	0.01	Capex (A\$m) 400 Pro-forma cash 78.8		
1XNAV A\$ @ 1Q22		2,191			5.04	Drilling/FS cost (A\$m) 22.0 SCPe debt (A\$m) 259.8		
<i>*Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.24x</i>						Working cap >DFS (A\$m) 22.9 SCPe 0.5NAV equity (A\$m) 140.0		
Asset value: 1xNPV project @ build start (A\$m, ungeared)*						G&A and fin. cost (A\$m) 21.3 Total sources (A\$m) 478.6		
6.50/lb 7.50/lb 8.50/lb 9.50/lb 10.50/lb						Total uses: group (A\$m) 466.0 Drilling / buffer (A\$m) 12.6		
Group NAV (A\$m)		14,326	16,530	18,734	20,938	23,142	Share data (m)	
9.0% discount		739	1,130	1,519	1,909	2,298	Basic FD 3Q22 (FF FD)	
7.0% discount		870	1,311	1,750	2,190	2,630	Shares (m) 422.9 434.9 490.5	
5.0% discount		1,025	1,527	2,026	2,525	3,025	Ratio analysis	
Ungeared project IRR:		31%	42%	52%	62%	71%	CY20E CY21E CY22E CY23E CY24E	
Group NAV (A\$/sh)		13,228	15,432	17,637	19,842	22,046	Shares out (m) 325.9 329.5 490.5 490.5 490.5	
9.0% discount		1.25	2.15	3.05	3.94	4.84	EPS (Ac/sh) - - - - 2.9	
7.0% discount		1.49	2.51	3.52	4.53	5.54	CFPS before w/c (A\$/sh) - - - - -	
5.0% discount		1.77	2.94	4.09	5.24	6.38	EV (A\$m) 365.3 385.4 527.2 400.7 740.1	
<i>*Project level NPV, excl finance costs and central G&A, discounted to build start</i>						FCF yield (%) - - - - -		
SOTP company valuation^		1Q22	1Q23	1Q24	1Q25	1Q26	PER (x) - - - - 4.15x	
Jaguar NPV		1,743	1,867	2,004	2,483	2,460	P/CF (x) - - - - -	
Centra G&A & fin. costs		(66)	(68)	(67)	(49)	(27)	EV/EBITDA (x) - - - - 17.1x	
Net cash prior quarter		8.3	59.0	185.5	(154)	4	Income statement	
Cash from ITM options		2.2	2.2	2.2	2.2	2.2	CY20E CY21E CY22E CY23E CY24E	
NAV (A\$m)		1,688	1,861	2,125	2,282	2,439	Revenue (A\$m) 0.5 - - - 83.0	
FD share count (m)		435	435	491	491	491	COGS (A\$m) - - - - 36.5	
1xNAV7%/sh FF FD (A\$/sh)		3.88	4.28	4.33	4.65	4.97	Gross profit (A\$m)	
0.6xNAV7% PT: 2.60						G&A (A\$m) 2.9 2.7 2.6 2.9 3.2		
Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^						Exploration (A\$m) 7.3 12.9 18.0 4.0 -		
6.50/lb 7.50/lb 8.50/lb 9.50/lb 10.50/lb						Finance costs (A\$m) 0.1 - - - 18.2		
1xNAV (A\$/sh)		14,326	16,530	18,734	20,938	23,142	Tax (A\$m) - - - - 7.0	
9.0% discount		1.61	2.58	3.55	4.53	5.51	Other (A\$m) 3.6 0.7 0.7 0.1 4.0	
7.0% discount		1.83	2.87	3.92	4.97	6.03	Net income (A\$m)	
5.0% discount		2.07	3.20	4.34	5.48	6.62	(13.3) (16.3) (21.3) (7.0) 14.1	
Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^						Cash flow statement		
1xNAV (A\$/sh)		13,228	15,432	17,637	19,842	22,046	CY20E CY21E CY22E CY23E CY24E	
9.0% discount		0.43	0.95	1.46	1.98	2.49	EBITDA (A\$m) (11.5) (16.4) (21.4) (7.3) 43.4	
7.0% discount		0.49	1.03	1.58	2.13	2.67	Add share based (A\$m) 0.5 0.8 0.8 0.4 -	
5.0% discount		0.55	1.13	1.72	2.30	2.88	Net change wkg cap (A\$m) (1.6) - - 1.7 22.9	
Production (Y1 from 3Q20)		CY24	CY25	CY26	CY27	CY28	Cash flow ops (A\$m)	
Jaguar production (000kt Ni)		2.9	14.2	21.4	21.1	20.7	(5.3) (15.5) (20.5) (8.4) (4.3)	
C1 cost (US\$/t Ni)		8,746	8,348	7,359	7,495	6,539	PP&E - build + sust. (A\$m) (1.2) 5.8 - 65.0 335.1	
AISC cost (US\$/t Ni)		9,499	9,099	8,109	8,270	7,510	PP&E - expl'n (A\$m) - - - - -	
<i>AISC = C1 + sustaining capex + central G&A, C3 = AISC + depreciation</i>						Cash flow inv. (A\$m)		
25kt						1.2 (5.8) - (65.0) (335.1)		
20kt						Share issue (A\$m) 24.8 5.5 71.3 199.9 -		
15kt						Debt draw (repay) (A\$m) - - - - 259.8		
10kt						Cash flow fin. (A\$m)		
5kt						24.8 5.5 71.3 199.9 259.8		
0kt						Net change in cash (A\$m) 19.5 (16.0) 50.7 126.5 (79.6)		
Jaguar prod'n (LHS, 000t Ni)						Balance sheet		
AISC (RHS, US\$/t Ni)						CY20E CY21E CY22E CY23E CY24E		
12,000						Cash (A\$m) 24.1 8.3 59.0 185.5 105.9		
10,000						Acc rec. + invet. (A\$m) 0.2 0.2 0.2 0.0 34.9		
8,000						PP&E & expl'n (A\$m) 9.5 15.3 15.3 80.3 410.9		
6,000						Total assets (A\$m)		
4,000						33.9 23.8 74.6 265.8 551.8		
2,000						Debt (A\$m) - - - - 259.8		
-						Accounts payable (A\$m) 1.9 1.9 1.9 - 12.0		
-						Others (A\$m) 24.3 8.5 59.2 185.5 140.9		
-						Total liabilities (A\$m)		
-						7.7 7.7 7.7 5.8 277.6		
-						Shareholders' equity (A\$m) 155.9 162.2 234.2 434.5 434.5		
-						Reserves (A\$m) (8.3) (8.3) (8.3) (8.3) (8.3)		
-						Retained earnings (A\$m) (121.5) (137.8) (159.1) (166.1) (152.0)		
-						Liabilities + equity (A\$m)		
-						33.9 23.8 74.6 265.8 551.8		

Source: SCP estimates

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Summary of Recommendations as of February 2022	
BUY:	51
HOLD:	1
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	53

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