

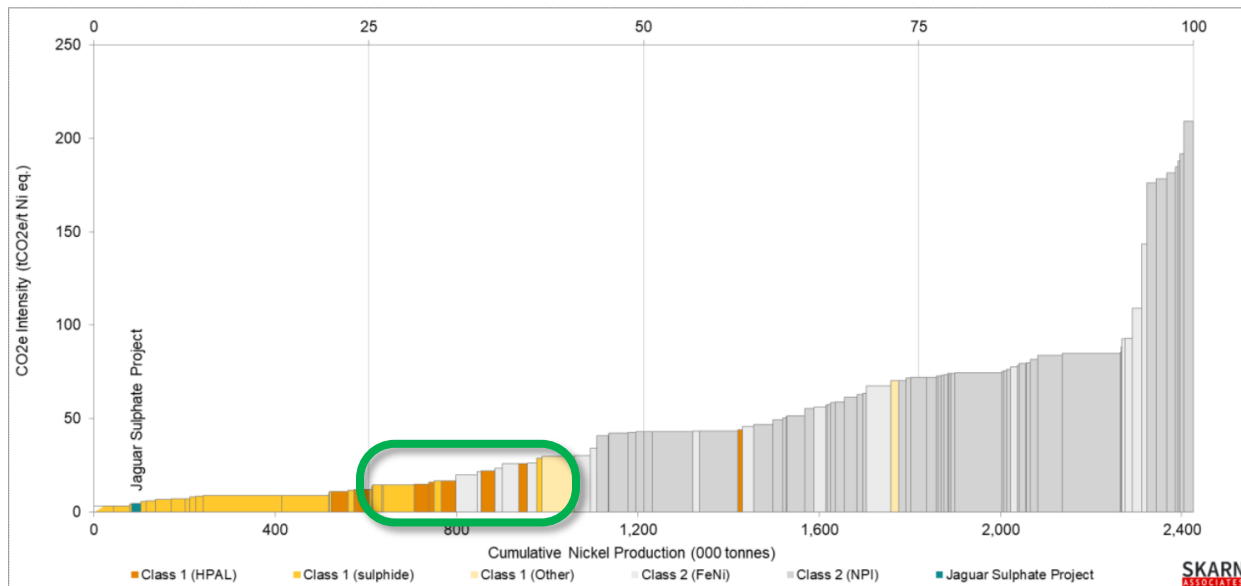
Ticker: CTM AU **4Q20 Cash:** A\$24m **Project:** Jaguar
Mkt cap: A\$356m **Price:** A\$0.995/sh **Country:** Brazil
RECOMMEND (unc): BUY **TARGET (UP):** A\$1.35/sh **RISK RATING:** HIGH

The key take-home for us is not Centaurus related, but sector wide as Figure 1 shows emissions from ferro-nickel and nickel pig iron, predominantly fed by laterites, dwarf those from HPAL and nickel sulphides. Given HPAL capex and technical risks rarely result in equity upside, this leaves 'lucky' Centaurus as a sector-wide winner. The 'luck' is part pre-made given the sulphide deposit, and with Brazil's hydro power 80% renewable, and part design with POX. POX not only puts downstream processing on a renewable grid too, but benefits from lower transport costs. In the current market at least, where shipping costs are eating some to all profits of 'transporters' such as low-grade spodumene concentrate and low-value bauxite, the silver lining is reduced opex as well. While nickel prices at current strong levels will of course fluctuate, we think nickel 'premiums' will become a key future dynamic. Firstly the impact to metal prices must grow given some commentators forecast carbon offset prices of ~\$5/t to rise by >5x by 2030 as consumers force good corporate behaviour on manufacturers. The prevalence of ESG funds means a second premium could build on equities also. We don't model a two-tier nickel price, but given strong market conditions and potential 'double premium' on metal and equity, we lift our LT nickel assumption from US\$8/lb to US\$8.50/lb. Combined with a materially weakened AUD, **we maintain our BUY rating lifting our 0.6xNAV_{7%-8.50/lb} PT from A\$1.20/sh to A\$1.35/sh on our base-case concentrate model, meaning POX (A\$831m NPV_{7%-7.50/lb} vs. A\$604m floatation only) offers risk-free upside to our PT**

CO₂ footprint puts Jaguar in top 3% of operating nickel mines, PT lifted on 'double premium'

An independent CO₂ footprint study by UK consultants Skarn Associates shows that the Jaguar Project with sit in the top 3% of producing nickel assets once in production with just 4.7t/t NiEq against an average 33t/t NiEq industry average. This still stands in the top 15% of assets globally even factoring in the build. The low emissions are a consequence of open pit mining, and 80% grid renewable power, with potential to improve this with likely 100% renewable power usage.

Figure 1. Global CO₂ emissions showing sulphide and HPAL with lower CO₂ than FeNi and pig iron



Source: Centaurus

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, including rail in a well-known mining jurisdiction
5. Quality 16% concentrate with low As, low Mg

Catalysts

1. 3Q21: Lodge environmental license
2. SCPe 4Q22: BFS
3. 2024: Target first production

Research

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Ticker: CTM AU	Price / mkt cap: A100c/sh / A\$356m	P/NAV today: 0.40x	Country: Brazil
Author: B Salier, B Gaspar	Rec/0.6xNAV7% PT: BUY, A135c/sh	1xNAV7%4_{Q21} 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 2Q20	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: 0.40x

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 SGA, 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)		123%	50%	34%	27%

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

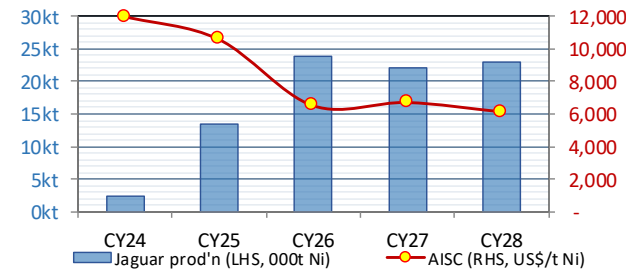
1xNAV (A\$/sh)	13,228	15,432	17,637	19,842	22,046
9.0% discount	0.51	1.23	1.99	2.75	3.52
7.0% discount	0.61	1.38	2.19	3.00	3.81
5.0% discount	0.72	1.55	2.40	3.27	4.13

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)	SCPe debt (A\$m) 151.9
Working cap >DFS (A\$m)	SCPe 0.6NAV equity (A\$m) 116.8
G&A and fin. cost (A\$m)	Total sources (A\$m) 289.1
Total uses: group (A\$m)	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)	300.1	311.7	435.4	388.1	579.2
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	186.7x

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)	(21.9)
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:	44
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	44

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