

Centaurus Metals Limited

EV Materials

Australian Equity Research
16 July 2024

Rating SPECULATIVE BUY <i>unchanged</i>	Price Target A\$0.80 <i>unchanged</i>
CTM-ASX	Price A\$0.40

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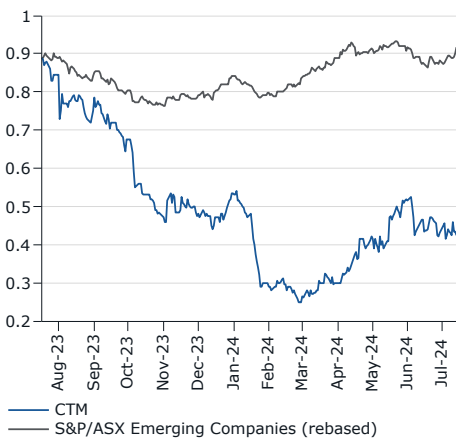
Jaguar to be a high margin, low capex future nickel sulphide mine

Market Data

52-Week Range (A\$) :	0.23 - 0.90
Avg Daily Vol (000s) :	137
Market Cap (A\$M) :	196.0
Shares Out. (M) :	496.2
Dividend /Shr (A\$) :	0.00
Net Debt (Cash) (A\$M) :	25.1
Enterprise Value (A\$M) :	169.0
Cash (A\$M) :	1.2
NAV /Shr (A\$) :	0.80
NAV /Shr (5%) (A\$) :	1.32
P/NAV (x) :	0.50

FYE Dec	2023A	2024E	2025E	2026E
EBITDA (A\$M)	(41.6)	(13.0)↓	(8.2)↑	(5.2)↑
Previous	-	(9.8)	(9.9)	(9.9)
EV/EBITDA (x)	(3.9)	(10.4)	(21.0)	(34.5)

Nickel Production (000t)	0	0	0	0
C1 Cash Cost (US\$ /lb)	-	-	-	-



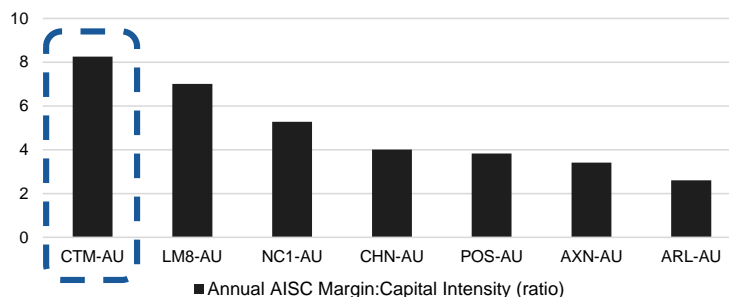
Priced as of close of business 15 July 2024

Centaurus Metals Limited (ASX:CTM) is a nickel sulphide focussed developer aiming to bring the 100%-owned Jaguar Project into production by 2027.

Earlier this month, Centaurus Metals (CTM-ASX) released the Feasibility Study (FS) for the Jaguar Nickel Sulphide Project in Brazil. See our initial take [here](#). In summary, the FS is underpinned by an open pit reserve of 63Mt @ 0.73% Ni for 459kt of contained nickel and sees production of ~19ktpa of nickel in concentrate over 18 years for C1 of US\$2.30/lb milled and preproduction capex for a 3.5Mtpa plant of US\$371m.

Jaguar should get built before anything else: In our view, the study highlights Jaguar as a standout development opportunity in light of a very thin ASX nickel project pipeline. Our analysis and comparative work on annual production, operating costs and capex to build new nickel mines shows that of the new mines waiting for more favourable market sentiment, CTM could offer the best balance of production scale (~19ktpa) and AISC margin (US\$164m pa) for a relatively low capex of ~US\$400m. On a ratio of AISC margin to capital intensity, CTM's high margin versus low capital intensity makes it an appealing development story, in our view. Further comparisons are shown overleaf.

Figure 1: CGe ratio of annual AISC margin to capital intensity for a number of ASX developers



Source: Company reports, Canaccord estimates

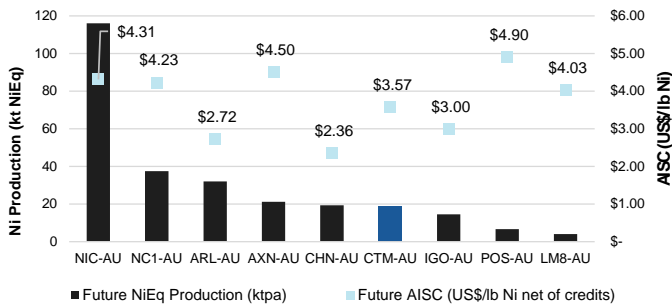
In our view, the biggest hurdle for many other aspiring nickel producers is capex. For meaningful annual production rates of ~20ktpa, many of CTM's peers seek out nickel laterite sources. However, these require ~US\$1.5bn on average of capex. The low capex, sulphide developers in LM8-ASX and POS-ASX offer 4-7ktpa of nickel production, which lacks scale, in our view. Furthermore, we fear IGO-ASX may fall away from the ranks of nickel producer by 2028, with Nova set to close in 2.5 years based on reserves, and Cosmos has an unknown future. Our comps include Cosmos as a what-if.

Model updates: Overall, the study is in line with our expectations (see table overleaf). LOM production is lower, but so are overall costs, which net off in our model. We model our mining scenario in line with the FS with modestly inflated costs and a slightly delayed ramp-up. We have recently decreased our long-term nickel price by 11% to US\$8.25/lb and have run this [updated price deck](#) through our model.

Funding: To aid funding, we assume a 10% project sell down to a strategic partner at FID; for 10% of the project NPV at the time, less a 20% discount. This would leave CTM with a ~US\$360m (A\$537m) funding gap, which we assume is covered through a mix of debt and equity.

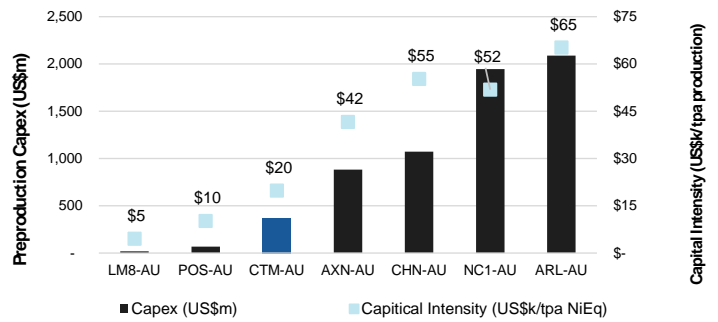
Valuation and recommendation: Our fully funded, unrisks price target remains A\$0.80 (A\$0.62 at spot). We retain our SPEC BUY rating on valuation grounds but acknowledge the current headwinds in nickel sentiment, noting the recent closure of BHP's Nickel West operations. However, when the tides turn and nickel pricing is more favorable, CTM will be one of the first files to be dusted off, in our view.

Figure 2: Estimated future nickel production and AISC



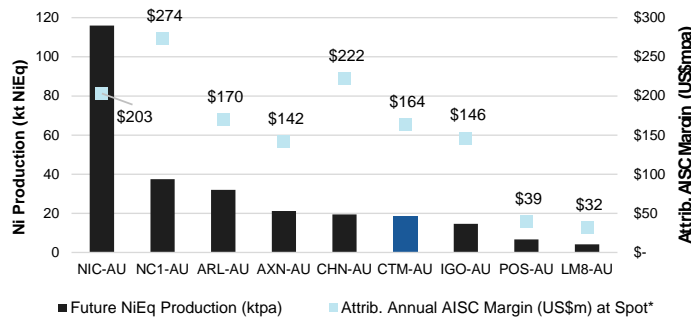
Source: Company Reports, Canaccord Genuity estimates. *product specific: LME, NPI etc.

Figure 3: Preproduction capex and capital intensity



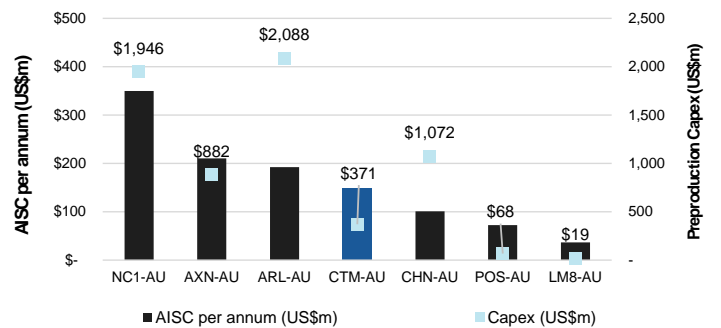
Source: Company Reports, Canaccord Genuity estimates

Figure 4: Estimated future nickel production and annual AISC margin



Source: Company Reports, Canaccord Genuity estimates

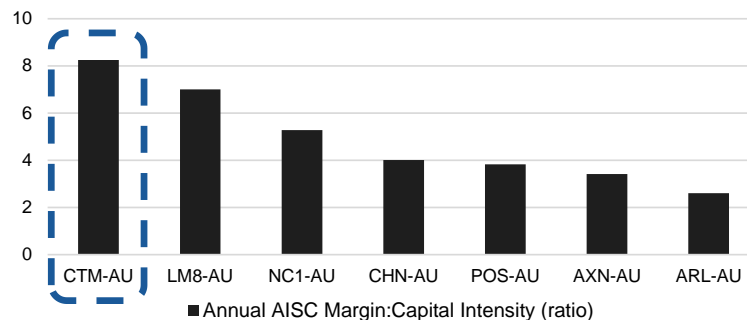
Figure 5: AISC per annum and preproduction capex



Source: Company Reports, Canaccord Genuity estimates

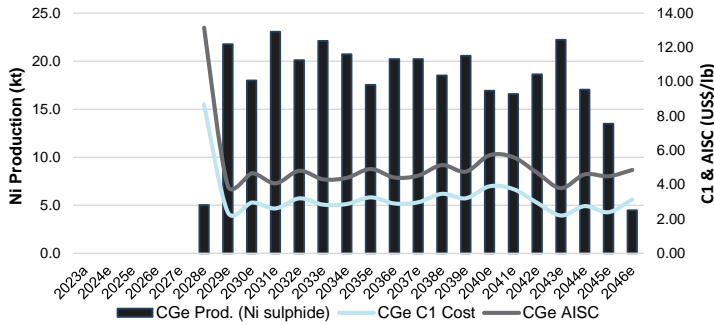
While Figure 2 shows estimated future (c. 2028) nickel production and AISC, Figure 4 paints a more accurate picture as it shows the AISC margin, which is a better measure of mine performance in our view. This is only half the story, as a project needs to be built first. The fundability of a build and capex is crucial. Figure 3 and Figure 5 show capex alongside capital intensity and AISC per annum. While CTM ranks in the middle of the pack for production and costs/margin and at the lower end of the scale for capex/capital intensity, when we combine all metrics (Figure 6), CTM's high margin versus low capital intensity makes it an appealing development story in our view, ranking it number one among developer peers.

Figure 6: Ratio of AISC margin to capital intensity



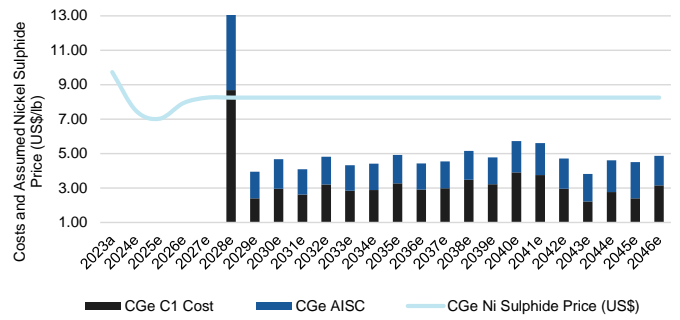
Source: Company Reports, Canaccord Genuity estimates

Figure 7: CGe production and costs



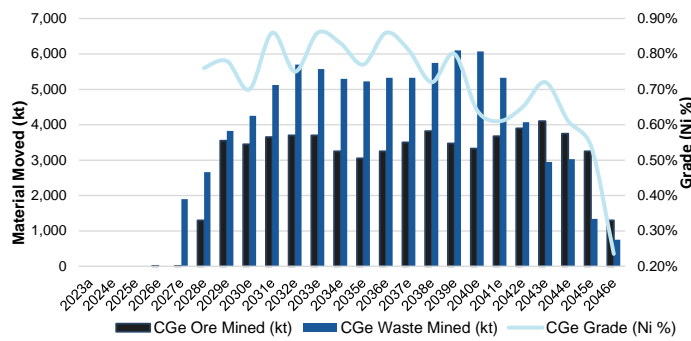
Source: Canaccord Genuity estimates

Figure 8: CGe costs and nickel pricing



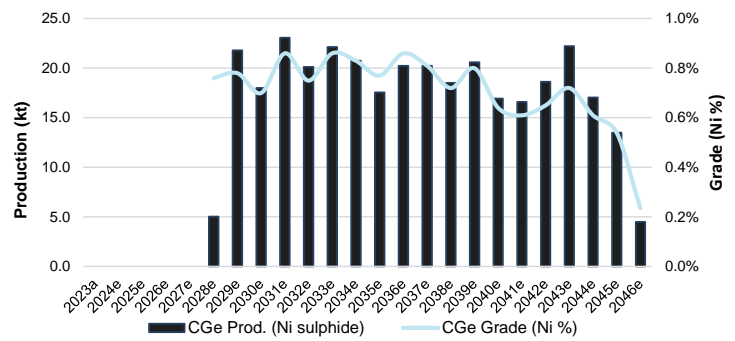
Source: Canaccord Genuity estimates

Figure 9: CGe material mined and grade



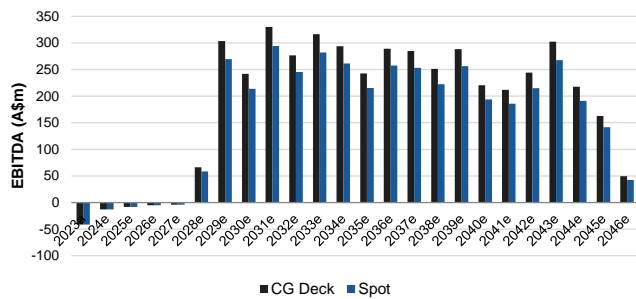
Source: Canaccord Genuity estimates

Figure 10: CGe production and grade



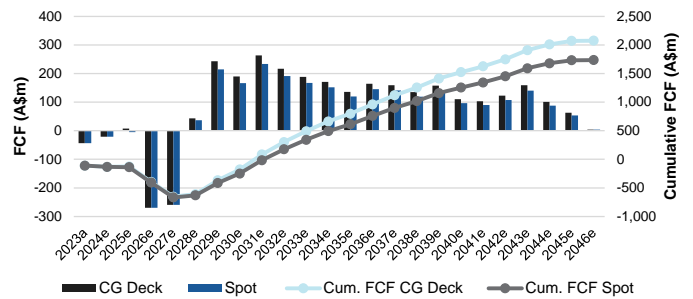
Source: Canaccord Genuity estimates

Figure 11: CGe EBITDA



Source: Canaccord Genuity estimates

Figure 12: CGe FCF



Source: Canaccord Genuity estimates

Figure 13: CGe and CTM assumptions

cg/	Units	CTM DFS July 2024	CGe Mar 2024	CGe Jul 2024	CTM vs CGe % Difference	CGe Spot
Resource tonnes	Mt	109.2	109.2	109.2	0%	109.2
Resource grade	%	0.87%	0.87%	0.87%	0%	0.87%
Assumed mine inventory	Mt	63.0	70.0	63.0	0%	63.0
Avg LOM Nickel grade	%	0.73%	0.85%	0.73%	0%	0.73%
Strip ratio	x	5.3	7.1	5.5	4%	5.5
Mine Life	yrs	18	20.0	18.5	3%	18.5
Milled	Mt	63.0	68.5	63.0	0%	63.0
Avg LOM Nickel grade	%	0.73%	0.85%	0.73%	0%	0.73%
Average annual ore processed	Mtpa	3.5	3.5	3.4	-3%	3.4
Nickel recovery	%	73%	75%	73%	1%	73%
LOM recoverable nickel	kt	335	437	337	1%	337
Avg annual recoverable nickel sulphide	ktpa	18.7	22	18.2	-3%	18.2
Average LOM nickel price	US\$/lb	8.98	9.15	8.25	-8%	7.54
Total Revenue	US\$M	5,046	6,368	4,847	-4%	4,430
Total Operating Costs	US\$M	2,647	4,145	2,666	1%	2,642
Mining - o/p	US\$/t	2.90	3.50	3.00	4%	3.00
Processing	US\$/t	6.90	17.00	7.00	1%	7.00
G&A	US\$/t	1.91	5.00	2.00	5%	2.00
C1 (ore milled)	US\$/lb	2.30		2.41	5%	2.41
C1 (payable)	US\$/lb	3.02	4.80	3.18	5%	3.18
Royalties	US\$/t	4.24	141	3.88	-9%	3.52
Product Logistics	US\$/t	6.92	10.00	7.00	1%	7.00
Sustaining capital	US\$/t	3.75	3.43	3.81	2%	3.81
AISC	US\$/lb	3.57	5.81	4.64	30%	4.60
Royalties	US\$M	267	141	244	-9%	222
Total Project capital	US\$M	608	640	640	5%	640
Pre-production capital	US\$M	371	400	400	8%	400
Sustaining capital	US\$M	237	240	240	1%	240

Source: Company Reports, Canaccord Genuity estimates

Figure 14: Financial Summary

Centaurus Metals Ltd		ASX:CTM					
Analyst:	Paul Howard	Rating: SPEC BUY					
Date:	15/07/2024	Target Price: A\$0.80					
Year End:	December						
Market Information							
Share Price	A\$	0.40					
Market Capitalisation	A\$m	196.0					
12 Month Hi	A\$	0.90					
12 Month Lo	A\$	0.23					
Issued Capital	m	496.2					
Options	m	0.0					
Fully Diluted	m	496.2					
Valuation							
Jaguar	NPV @ 10%	A\$m	Risk Adj.	A\$/share			
Underground potential		286.6	100%	0.33			
Exploration & Other assets		81.0	50%	0.09			
Corporate		50.0		0.06			
Net Cash as at 30-Jun-24		(24.9)		(0.03)			
ITM Options		25.1		0.03			
Future Equity		-		-			
TOTAL NAV		268.7		0.31			
Price/NAV		686.5		0.80			
Target Price				0.50x			
				0.80			
Assumptions							
	2023a	2024e	2025e	2026e	2027e		
Nickel Price (US\$/lb)	9.73	7.49	7.03	7.94	8.25		
Cobalt Price (US\$/lb)	15.58	12.69	12.70	14.30	15.00		
AUD:USD	0.66	0.66	0.67	0.68	0.70		
Company Description							
Centaurus Metals Limited (ASX:CTM) is a nickel sulphide developer aiming to bring the 100%-owned Jaguar Project into production by 2028. The project is located in the world-class Carajás Mineral Province in Brazil. ADFS outlines production of 19ktpa of nickel over an 18-year mine life for C1 of US\$3.02/lb payable and upfront capital of US\$371m.							
Profit & Loss (A\$m)							
	2023a	2024e	2025e	2026e	2027e		
Revenue	0.0	0.0	0.0	0.0	0.0		
Other Income	1.3	0.0	0.0	0.0	0.0		
Operating Costs	0.0	0.0	0.0	0.0	0.0		
Exploration expensed/written off	-34.4	-7.7	-3.0	0.0	0.0		
Corporate/Other expenses	-8.6	-5.3	-5.2	-5.2	-4.0		
EBITDA	-41.6	-13.0	-8.2	-5.2	-4.0		
Dep'n	-0.5	0.0	0.0	0.0	0.0		
Net Interest	1.4	0.8	0.7	-5.9	-7.6		
Other	0.0	0.0	0.0	0.0	0.0		
Tax	0.0	1.9	1.2	1.7	1.8		
NPAT (reported)	-40.7	-10.3	-6.4	-9.4	-9.8		
Abnormals	0.0	0.0	0.0	0.0	0.0		
NPAT	-40.7	-10.3	-6.4	-9.4	-9.8		
<i>EBITDA Margin</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>		
<i>EV/EBITDA</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>		
<i>EPS</i>	<i>-\$0.082</i>	<i>-\$0.021</i>	<i>-\$0.013</i>	<i>-\$0.019</i>	<i>-\$0.020</i>		
<i>EPS Growth</i>	<i>81%</i>	<i>-66%</i>	<i>-38%</i>	<i>17%</i>	<i>-24%</i>		
<i>PER</i>	<i>-4.8x</i>	<i>-18.9x</i>	<i>-30.6x</i>	<i>-20.9x</i>	<i>-19.9x</i>		
<i>Dividend Per Share</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>		
<i>Dividend Yield</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>		
Cash Flow (A\$m)							
	2023a	2024e	2025e	2026e	2027e		
Cash Receipts	0.0	0.0	0.0	0.0	0.0		
Cash paid to suppliers & employee:	-4.8	-5.3	-5.2	-5.2	-4.0		
Tax Paid	0.0	0.0	0.0	0.0	1.8		
Exploration and growth	-35.9	-7.7	-3.0	0.0	0.0		
+/- Working cap change	0.0	0.0	0.0	0.0	0.0		
Operating Cash Flow	-40.6	-13.0	-8.2	-5.2	-2.2		
Exploration evaluation	0.0	-9.0	-12.0	0.0	0.0		
Capex	0.0	0.0	0.0	-264.7	-257.1		
Other	-2.8	1.1	27.4	0.0	0.0		
Investing Cash Flow	-2.8	-7.9	15.4	-264.7	-257.1		
Debt Drawdown (repayment)	0.0	0.0	0.0	268.7	0.0		
Share capital	44.0	0.4	0.0	268.7	0.0		
Dividends	0.0	0.0	0.0	0.0	0.0		
Net interest	0.0	1.0	0.7	-5.9	-7.6		
Financing Cash Flow	44.0	1.4	0.7	531.4	-7.6		
Opening Cash	34.0	34.7	15.4	23.5	285.2		
Increase / (Decrease) in cash	0.6	-19.5	7.8	261.5	-267.0		
FX Impact	0.1	0.2	0.2	0.2	0.2		
Closing Cash	34.7	15.4	23.5	285.2	18.5		
<i>Op. Cashflow/Share</i>	<i>-\$0.08</i>	<i>-\$0.03</i>	<i>-\$0.02</i>	<i>-\$0.01</i>	<i>\$0.00</i>		
<i>P/CF</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>		
<i>FCF</i>	<i>nm</i>	<i>nm</i>	<i>7.2x</i>	<i>nm</i>	<i>nm</i>		
<i>EV/FCF</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>		
<i>FCF Yield</i>	<i>-22%</i>	<i>-11%</i>	<i>4%</i>	<i>-138%</i>	<i>-132%</i>		
Balance Sheet (A\$m)							
	2023a	2024e	2025e	2026e	2027e		
Cash + S/Term Deposits	34.7	15.4	23.5	285.2	18.5		
Other current assets	2.1	0.0	0.0	158.8	154.3		
Current Assets	36.8	15.4	23.5	444.0	172.7		
Property, Plant & Equip.	9.8	9.8	9.8	274.5	531.6		
Exploration & Develop.	0.0	0.0	0.0	264.7	521.8		
Other Non-current Assets	0.0	0.0	0.0	0.0	0.0		
Payables	3.4	0.0	0.0	0.0	0.0		
Short Term Debt	0.5	0.0	0.0	0.0	0.0		
Long Term Debt	0.3	0.0	0.0	268.7	268.7		
Other Liabilities	1.1	181.3	25.6	444.5	694.6		
Net Assets	55.2	45.3	38.9	298.2	288.3		
Shareholders Funds	281.4	281.9	281.9	550.5	550.5		
Reserves	-4.7	-4.7	-4.7	-4.7	-4.7		
Retained Earnings	-221.6	-231.9	-238.3	-247.7	-257.5		
Total Equity	55.2	45.3	38.9	298.2	288.3		
<i>Debt/Equity</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>90%</i>	<i>93%</i>		
<i>Net Debt/EBITDA</i>	<i>0.8x</i>	<i>1.2x</i>	<i>2.9x</i>	<i>3.2x</i>	<i>-112.3x</i>		
<i>Net Interest Cover</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-0.5x</i>		
<i>ROE</i>	<i>-74%</i>	<i>-23%</i>	<i>-16%</i>	<i>-3%</i>	<i>-3%</i>		
<i>ROIC</i>	<i>-266%</i>	<i>-105%</i>	<i>-65%</i>	<i>-1%</i>	<i>-1%</i>		
<i>Book Value/share</i>	<i>0.11</i>	<i>0.09</i>	<i>0.08</i>	<i>0.60</i>	<i>0.58</i>		
Sensitivity							
	-30%	-20%	-10%	0%	10%	20%	30%
US\$ Exchange Rate							
Nickel Price							
Production Metrics							
	2025e	2026e	2027e	2028e	2029e		
Jaguar							
Nickel sulphide (kt)	0.0	0.0	0.0	4.0	17.2		
Cash cost (A\$/lb Ni payable)	0.0	0.0	0.0	8.7	2.4		
AISC (A\$/lb Ni payable)	0.0	0.0	0.0	13.2	3.9		
Resources							
		Mt	Ni (%)	Ni (kt)			
Jaguar Project							
Measured		14	1.07	149			
Indicated		72	0.81	581			
Inferred		22	0.94	208			
Total		108	0.87	939			
Ore Reserve							
		Mt	Ni (%)	Ni (kt)			
Jaguar Project							
Proven		11	0.88	100			
Probable		52	0.69	359			
Total		63	0.73	459			
Iron Ore Assets							
		Mt	Fe (%)	Fe (Mt)			
Jambreiro							
Proved		35.4	25.8%	9			
Probable		13.1	27.2%	4			
Total		48.5	26.2%	13			
Resources							
		Mt	Fe (%)	Fe (Mt)			
Jambreiro, Canavial, Passabém							
Total		193.7	29.0%	56			

Source: Company Reports, Canaccord Genuity estimates

Appendix: Important Disclosures

Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research, and (iii) to the best of the authoring analyst's knowledge, she/he is not in receipt of material non-public information about the issuer.

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Sector Coverage

Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

Investment Recommendation

Date and time of first dissemination: July 15, 2024, 16:30 ET

Date and time of production: July 15, 2024, 13:14 ET

Target Price / Valuation Methodology:

Centaurus Metals Limited - CTM

Our price target (NPV12%) is on a fully diluted basis and risked 50% to account for changing scope of the project. Our project valuation is based on our interpreted development/production scenario at Jaguar. Given the early stage of development of the project along with the financing and permitting stages to progress through, we have applied a 50% risk weighting to our project valuation to capture project and financing risks. Our net asset valuation per share is based on a fully financed scenario inclusive of equity dilution and fully drawn project debt.

Risks to achieving Target Price / Valuation:

Centaurus Metals Limited - CTM

Financing risks

As an exploration and development company with no material income, CTM is highly reliant on equity and debt markets to fund development of its assets and progress its regional exploration pipeline. Further, we can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration and development risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further mineral resources nor that the company will be able to convert the current Mineral Resource into Ore Reserves. The Scoping Studies completed to date are at a low (+/-40%) level of accuracy and present both upside and downside risk to our valuation.

Operating risks

If/when in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

Commodity price and currency fluctuations

As with any development company, CTM is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

Geopolitical risks

CTM's key asset is located in Brazil, which is considered an emerging market. As such, CTM, through the Jaguar Nickel Sulphide Project, carries a higher degree of economic, political, social, legal and legislative risk. Brazil has a well-established and stable mining industry.

Distribution of Ratings:

Global Stock Ratings (as of 07/15/24)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	607	66.78%	22.73%
Hold	132	14.52%	10.61%
Sell	12	1.32%	8.33%
Speculative Buy	149	16.39%	49.66%
	909*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate returns greater than 10% during the next 12 months.

HOLD: The stock is expected to generate returns from -10% to 10% during the next 12 months.

SELL: The stock is expected to generate returns less than -10% during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

Given the inherent volatility of some stocks under coverage, price targets for some stocks may imply target returns that vary temporarily from the ratings criteria above.

*As of January 1, 2024, the Ratings History Chart will reflect the new Canaccord Genuity Ratings System as defined above.

Risk Qualifier

SPECULATIVE: The stock bears significantly above-average risk and volatility. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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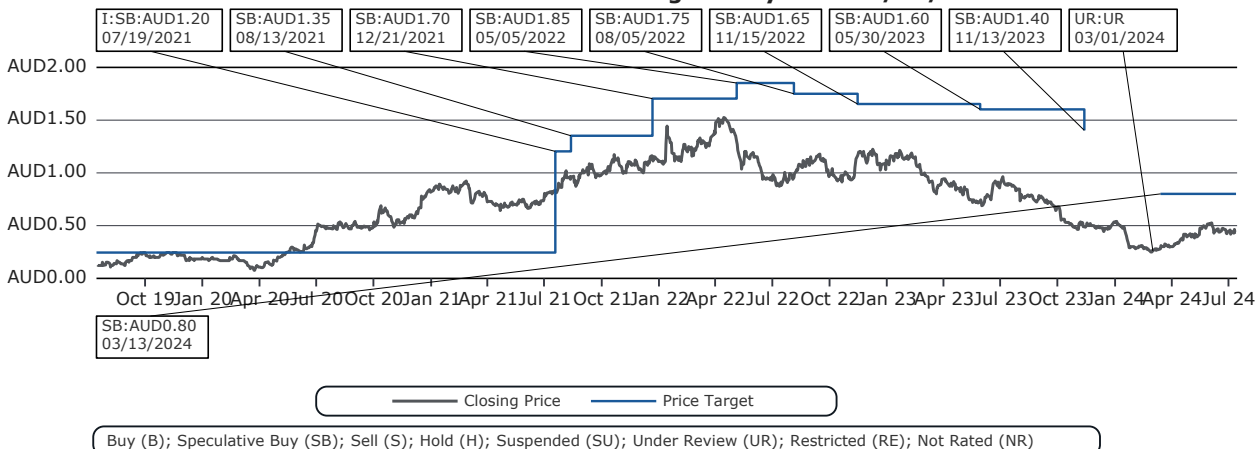
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Centaurus Metals Limited Rating History as of 07/12/2024



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In line with Article 44(4)(b), MiFID II Delegated Regulation, we disclose price performance for the preceding five years or the whole period for which the financial instrument has been offered or investment service provided where less than five years. Please note price history refers to actual past performance, and that past performance is not a reliable indicator of future price and/or performance.

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