

Centaurus Metals Limited

EV Materials

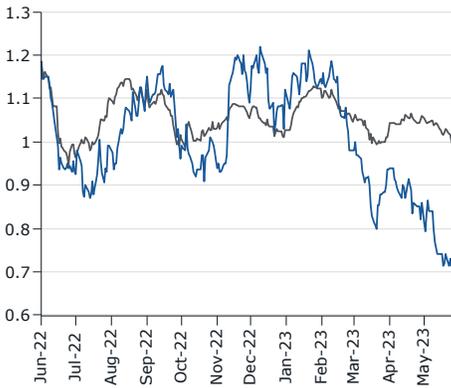
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Rating SPECULATIVE BUY unchanged	Price Target A\$1.60 ↓ from A\$1.65
CTM-ASX	Price A\$0.73

Market Data

52-Week Range (A\$) :	0.70 - 1.25
Avg Daily Vol (000s) :	137
Market Cap (A\$M) :	261.6
Shares Out. (M) :	358.3
Dividend /Shr (A\$) :	0.00
Net Debt (Cash) (AUcM) :	25.9
Enterprise Value (A\$M) :	235
Cash (AUcM) :	1.2
NAV /Shr (A\$) :	1.58
NAV /Shr (5%) (A\$) :	2.92
P/NAV (x) :	0.46

FYE Dec	2022A	2023E	2024E	2025E
EBITDA (A\$M)	(43.6)	(15.8)↓	(5.6)↓	(5.6)↓
Previous	-	(6.5)	(5.2)	(5.2)
EV/EBITDA (x)	(5.2)	(13.8)	(35.8)	(65.5)



Source: FactSet

Priced as of close of business 29 May 2023

Centaurus Metals Limited (ASX:CTM) is a nickel sulphide focussed developer aiming to bring the 100%-owned Jaguar Project into production by 2026. The project is located in the world-class Carajás Mineral Province in Brazil. Scoping Studies for both an upstream mining operation to produce nickel sulphide in concentrate, and a downstream value-add scenario to produce +20ktpa of nickel in sulphate have been completed. A DFS is due in the DecQ'23 with FID scheduled for the late-2024.

Battery-grade nickel sulphate production allows off-take discussions

Centaurus Metals (CTM-ASX) has completed the refinery pilot plant testwork to produce nickel sulphate at the Jaguar Nickel Project in Brazil. The four phase program, as outlined in our previous note, has culminated in the production of a high-quality, battery-grade nickel sulphate product with low impurities. This significant milestone paves the way for off-take discussion, which we view as a large catalyst for the company ahead of the DFS in the DecQ'23.

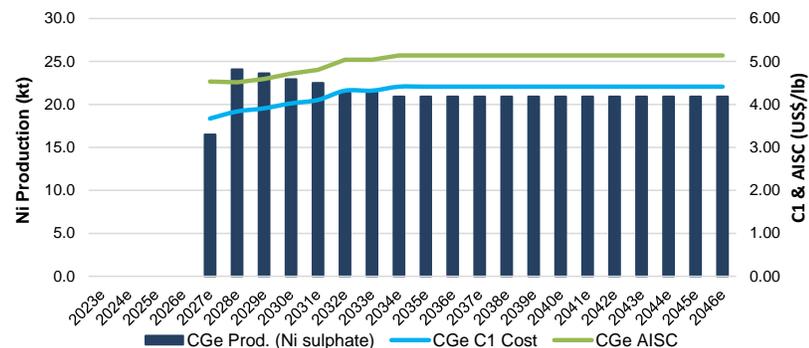
Recall that as part of the 2019 acquisition terms for Jaguar, previous owner Vale agreed to enter into a future off-take agreement with CTM whereby Vale can purchase 100% of the production from the project on standard arm's length prevailing market prices. Should Vale not pursue off-take, CTM would be free to seek off-take elsewhere. Under either circumstance, we do not rule out a pre-purchase of product to support CTM's funding of the project.

What the DFS could look like: CTM expects to deliver the Jaguar DFS in the DecQ'23. Since the Value-add Scoping Study release in May 2021, the Jaguar resource has grown 67% in terms of contained nickel. Suffice to say, we are dealing with a much larger orebody in a changing cost environment. We assume 75% of the resource converts to a mining inventory. We think CTM can optimise throughput up to 3Mtpa (from 2.7Mtpa), but in reality, this is capped by the modular autoclave. Further up-scaling would require a second autoclave, providing a large capital hurdle. In our view, project economics are best enhanced through a mine life extension out to 20 years (from 13 years). As outlined in our assumptions, we model 27% higher operating costs, US\$5.00/lb AISC, and 36% higher pre-production capital (US\$393m). Annual production sits at 21ktpa of nickel sulphate, and we model pricing at a 3% premium to LME (i.e., 103% payabilities). Note that this will be negotiated during off-take discussions

Timelines: The DFS is expected in the DecQ'23, with FID in the SepQ'24. A 24-month construction phase could see mine ramp up in early 2027.

Valuation and recommendation: We have updated our model and assumptions for our take on what the DFS will entail. We have yet to fully model by-product credits such as cobalt and zinc, and we flag these as potential upside for project economics. Our price target has been impacted by a lower assumed recovery (75% vs 80% previously), assumed future equity dilution, and our updated FX. Our increased modelled cash flows over a 20-year LOM have netted off against an increase in our cost assumptions. Our price target is now \$1.60 (previously \$1.65). We maintain our SPECULATIVE BUY as CTM enters an important six months in the evolution of the Jaguar Nickel Project.

CG assumed production and costs



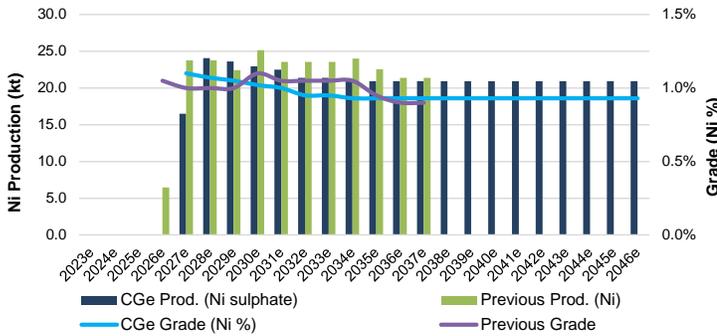
Source: Canaccord Genuity estimates

Figure 1: CTM and Canaccord Genuity project assumptions

cg/	Units	CTM Scoping Study March 2021	CTM Value-Add Scoping Study May 2021	CGe July 2021	CGe Dec 2021	CGe May 2023	CTM vs CGe % Difference	CGe Spot
Assumed mine inventory	Mt	32.8	45.0	45.0	60.0	81.0	80%	81.0
Avg LOM Nickel grade	%	0.84%	0.80%	0.81%	0.81%	0.81%	1%	0.81%
Strip ratio	w/o	6.5	6.5	6.5	6.5	7.1	9%	7.1
Mine Life	yrs	10	13	13.5	15.0	20.0	60%	20.0
Milled	Mt	24	34	33.7	41.5	59.0	75%	59.0
Avg LOM Nickel grade	%	1.08%	1.01%	0.99%	0.98%	0.96%	-5%	0.96%
Average annual ore processed	Mtpa	2.4	2.7	2.5	3.0	3.0	11%	3.0
Nickel recovery	%	78%	82%	80%	80%	75%	-8%	75%
LOM recoverable nickel	kt	203	262	267	325	424	62%	424
Avg annual recoverable nickel sulphate	ktpa	20	21	20	22	21	1%	21
Average LOM nickel price	US\$/t	16,540	16,540	17,637	17,637	19,842	20%	21,450
Average LOM assumed nickel sulphate price	US\$/t	N/A	17,632	18,519	18,519	20,437	16%	22,094
Total Revenue	US\$M	2,422	4,530	5,224	5,947	7,995	76%	9,377
	AS\$M	3,229	6,040	6,721	6,721	6,721	11%	6,721
Total Operating Costs	US\$M	1,377	2,469	2,754	3,154	2,710	10%	2,744
	AS\$M	2,104	3,772	3,671	3,980	3,788	0%	3,836
Mining - o/p	US\$/t	18.0%	19.62	20.00	20.00	26.60	36%	24.86
Mining - underground	US\$/t	50.54	47.53	48.00	48.00	-	-	-
Processing	US\$/t	11.33	28.02	28.20	28.20	28.00	0%	26.17
G&A + Logistics	US\$/t	5.66	4.59	5.00	5.00	5.46	19%	5.10
C1	US\$/t	5,313	7,253	7,999	7,465	9,425	30%	8,686
	US\$/lb	2.41	3.29	3.63	3.39	4.28	30%	3.94
AISC	US\$/t	6,547.72	8,686	9,369.64	8,818.48	11,016	27%	10,282
	US\$/lb	2.97	3.94	4.25	4.00	5.00	27%	4.66
Royalties	US\$M	111	165	215	469	199	21%	545
	AS\$M	160	252	286	348	304	21%	357
Total Project capital	US\$M	316	501	541	587	654	31%	654
	AS\$M	483	766	722	783	1,000	36%	1,000
Pre-production capital	US\$M	178	288	314	334	393	36%	393
Sustaining capital	US\$M	138.0	213.0	228	253	262	23%	262

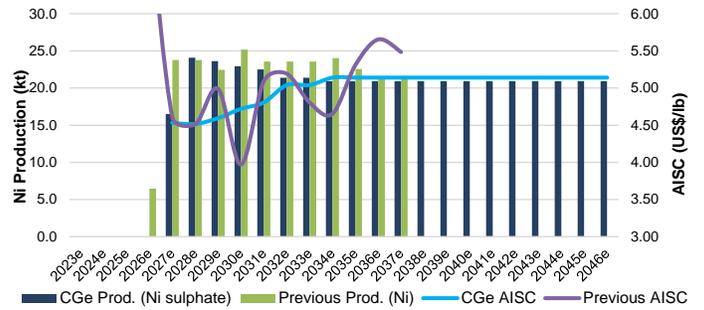
Source: Company Reports, Canaccord Genuity estimates

Figure 2: CGe current vs prior production and grade



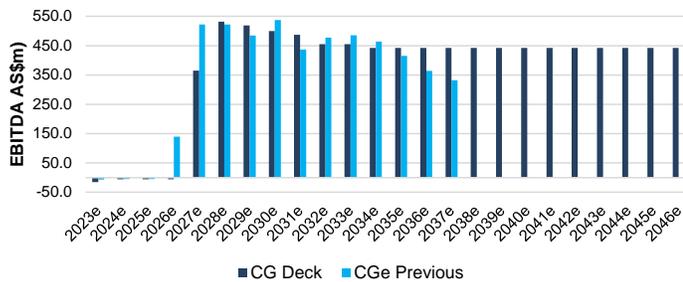
Source: Canaccord Genuity estimates

Figure 3: CGe current vs prior production and AISC



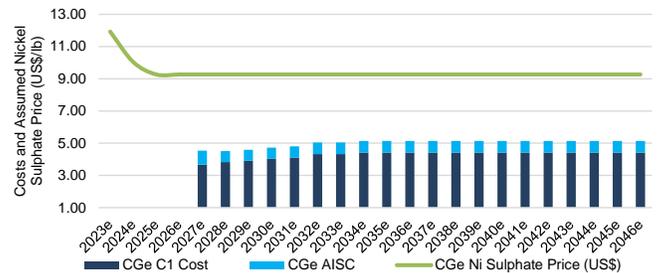
Source: Canaccord Genuity estimates

Figure 4: CGe current vs prior EBITDA



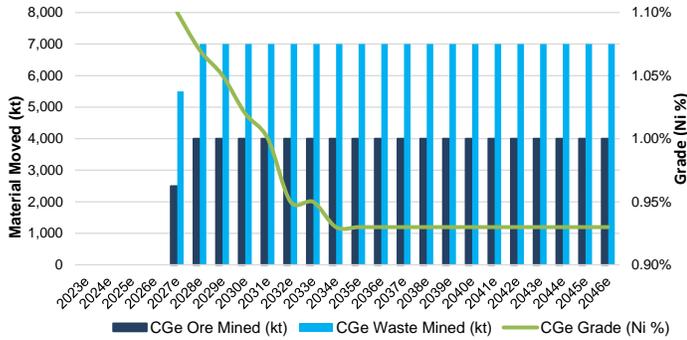
Source: Canaccord Genuity estimates

Figure 5: CGe C1, AISC and pricing



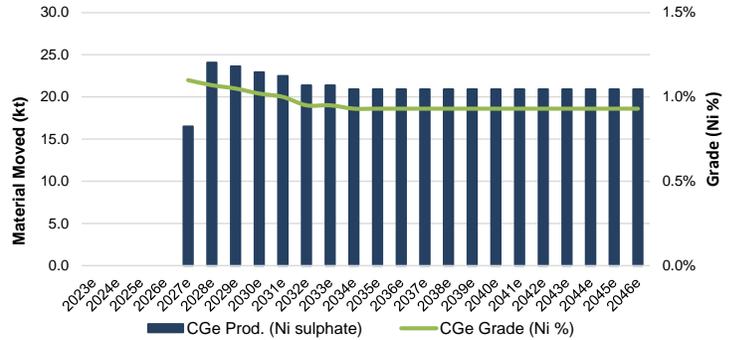
Source: Canaccord Genuity estimates

Figure 6: CGe material mined and grade



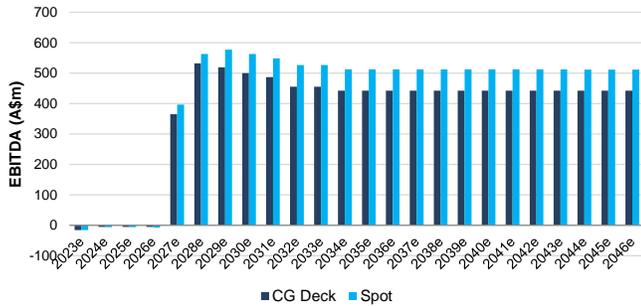
Source: Canaccord Genuity estimates

Figure 7: CGe production and grade



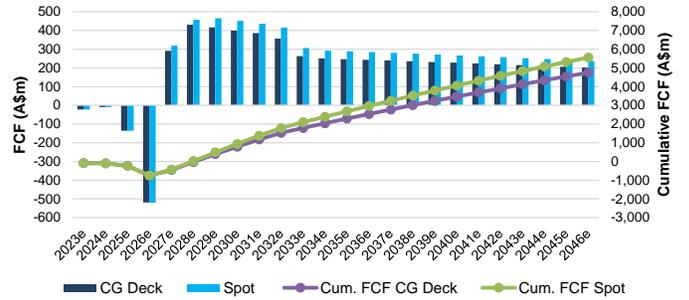
Source: Canaccord Genuity estimates

Figure 8: CGe EBITDA at CG deck and spot



Source: Canaccord Genuity estimates

Figure 9: CGe free cash flow at CG deck and spot



Source: Canaccord Genuity estimates

Figure 10: Financial Summary

Centaurus Metals Ltd		ASX:CTM			
Analyst:	Paul Howard	Rating: SPEC BUY			
Date:	29/05/2023	Target Price: A\$1.60			
Year End:	December				
Market Information					
Share Price	A\$	0.73			
Market Capitalisation	A\$m	261.6			
12 Month Hi	A\$	1.25			
12 Month Lo	A\$	0.70			
Issued Capital	m	358.3			
Options	m	0.0			
Fully Diluted	m	358.3			
Valuation					
Jaguar	NPV @ 12%	A\$m	Risk Adj.	A\$/share	
Potential by-product credits		20.0	90%	0.88	
Exploration & Other assets		60.0	50%	0.03	
Corporate		(25.9)		(0.04)	
Net Cash as at 31-Mar-23		23.0		0.04	
ITM Options		1.1		0.00	
Future Equity		355.0		0.57	
TOTAL NAV		983.2		1.58	
Price/NAV				0.46x	
Target Price				1.60	
Assumptions					
	2022a	2023e	2024e	2025e	2025e
Nickel Price (US\$/lb)	11.89	11.58	9.75	9.00	9.00
Cobalt Price (US\$/lb)	28.95	15.40	25.50	36.50	40.00
AUD:USD	0.69	0.69	0.70	0.71	0.71
Sensitivity					
Production Metrics					
	2025e	2026e	2027e	2026e	2027e
Jaguar					
Nickel sulphate (kt)	0.0	0.0	16.5	24.1	23.6
Cash cost (A\$/lb Ni payable)	0.0	0.00	3.67	3.84	3.91
AISC (A\$/lb Ni payable)	0.0	0.00	4.53	4.52	4.60
Resources					
	Mt		Ni (%)		Ni (kt)
Jaguar Project					
Indicated	71.7		0.81		581.0
Inferred	22.3		0.94		208.4
Total	108.0		0.87		938.8
Assumed Mining Inventory					
	Mt		Ni (%)		Ni (kt)
Jaguar Project					
Open Pit	81		0.81		656.1
Underground	0.0		0.00		0.0
Total	81.0		0.81		656.1
Iron Ore Assets					
<i>Reserves</i>	Mt		Fe (%)		Fe (Mt)
Jambreiro					
Proved	35.4		25.8%		9.1
Probable	13.1		27.2%		3.6
Total	48.5		26.2%		12.7
Resources					
<i>Reserves</i>	Mt		Fe (%)		Fe (Mt)
Jambreiro, Canavial, Passabém					
Total	193.7		29.0%		56.2
Company Description					
Centaurus Metals Limited (ASX:CTM) is a nickel sulphide developer aiming to bring the 100%-owned Jaguar Project into production by 2027. The project is located in the world-class Carajás Mineral Province in Brazil. Scoping Studies for both an upstream mining operation to produce nickel sulphide in concentrate, and a downstream value-add scenario to produce +20ktpa of nickel in sulphate have been completed. A DFS is expected in late-2023 and will be underpinned by a 67% larger resource.					
Profit & Loss (A\$m)					
	2022a	2023e	2024e	2025e	2025e
Revenue	0.0	0.0	0.0	0.0	0.0
Other Income	0.5	0.0	0.0	0.0	0.0
Operating Costs	0.0	0.0	0.0	0.0	0.0
Exploration expensed/written off	-36.2	-10.7	-0.8	-0.8	-0.9
Corporate/Other expenses	-7.9	-5.1	-4.8	-4.8	-4.8
EBITDA	-43.6	-15.8	-5.6	-5.6	-5.7
Dep'n	-0.4	0.0	0.0	0.0	0.0
Net Interest	1.3	0.9	-0.8	-6.8	-8.0
Other	0.0	0.0	0.0	0.0	0.0
Tax	0.0	5.1	1.0	1.9	2.1
NPAT (reported)	-42.6	-9.8	-5.4	-10.5	-11.6
Abnormals	0.0	0.0	0.0	0.0	1.0
NPAT	-42.6	-9.8	-5.4	-10.5	-10.6
<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>-\$0.119</i>	<i>-\$0.027</i>	<i>-\$0.015</i>	<i>-\$0.029</i>	<i>-\$0.030</i>
<i>EPS Growth</i>	<i>22%</i>	<i>-33%</i>	<i>-48%</i>	<i>93%</i>	<i>-17%</i>
<i>PER</i>	<i>-6.1x</i>	<i>-26.6x</i>	<i>-48.1x</i>	<i>-24.9x</i>	<i>-24.7x</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)					
	2022a	2023e	2024e	2025e	2025e
Cash Receipts	0.0	0.0	0.0	0.0	0.0
Cash paid to suppliers & employee:	-3.8	-5.1	-4.8	-4.8	-4.8
Tax Paid	0.0	0.0	0.0	0.0	0.0
Exploration and growth	-36.2	-10.4	-0.8	-0.8	-0.8
+/- Working cap change	0.0	0.0	0.0	0.0	1.0
Operating Cash Flow	-40.0	-15.5	-5.6	-5.6	-4.6
Exploration evaluation	0.0	-5.8	-3.3	-3.4	-3.4
Capex	0.0	0.0	0.0	-126.3	-510.3
Other	-6.9	-0.9	0.0	0.0	0.0
Investing Cash Flow	-6.9	-6.7	-3.3	-129.7	-513.7
Debt Drawdown (repayment)	0.0	0.0	325.0	0.0	0.0
Share capital	72.5	30.0	0.0	0.0	325.0
Dividends	0.0	0.0	0.0	0.0	0.0
Net interest	0.0	1.0	-0.8	-6.8	-8.0
Financing Cash Flow	72.5	31.0	32.4	-6.8	317.0
Opening Cash	8.3	34.0	43.2	358.8	217.0
Increase / (Decrease) in cash	25.6	8.8	315.3	-142.0	-201.3
FX Impact	0.2	0.3	0.3	0.3	0.3
Closing Cash	34.0	43.2	358.8	217.0	16.1
<i>Op. Cashflow/Share</i>	<i>-\$0.11</i>	<i>-\$0.04</i>	<i>-\$0.02</i>	<i>-\$0.02</i>	<i>-\$0.01</i>
<i>P/CF</i>	<i>nm</i>	<i>-16.9x</i>	<i>nm</i>	<i>-46.7x</i>	<i>-56.9x</i>
<i>FCF</i>	<i>nm</i>	<i>nm</i>	<i>nm</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>-18%</i>	<i>-8%</i>	<i>-3%</i>	<i>-52%</i>	<i>-198%</i>
Balance Sheet (A\$m)					
	2022a	2023e	2024e	2025e	2025e
Cash + S/Term Deposits	34.0	43.2	358.8	217.0	15.1
Other current assets	1.4	0.0	0.0	75.8	306.2
Current Assets	35.4	43.2	358.8	292.8	321.2
Property, Plant & Equip.	8.9	8.9	8.9	135.2	645.5
Exploration & Develop.	0.0	0.0	0.0	126.3	636.6
Other Non-current Assets	0.1	0.0	0.0	0.0	0.0
Payables	4.6	0.0	0.0	0.0	0.0
Short Term Debt	2.0	0.0	0.0	0.0	100.0
Long Term Debt	0.7	0.0	0.0	325.0	225.0
Other Liabilities	0.8	14.9	502.4	195.9	932.7
Net Assets	49.3	69.5	64.1	53.5	366.9
Shareholders Funds	236.3	266.3	266.3	266.3	591.3
Reserves	-5.8	-5.8	-5.8	-5.8	-5.8
Retained Earnings	-181.1	-191.0	-196.4	-206.9	-218.5
Total Equity	49.3	69.5	64.1	53.5	366.9
<i>Debt/Equity</i>	<i>1%</i>	<i>0%</i>	<i>0%</i>	<i>607%</i>	<i>61%</i>
<i>Net Debt/EBITDA</i>	<i>0.8x</i>	<i>2.8x</i>	<i>64.1x</i>	<i>-19.3x</i>	<i>-67.2x</i>
<i>Net Interest Cover</i>	<i>nm</i>	<i>nm</i>	<i>-7.2x</i>	<i>-0.8x</i>	<i>-0.7x</i>
<i>ROE</i>	<i>-86%</i>	<i>-14%</i>	<i>-8%</i>	<i>-20%</i>	<i>-3%</i>
<i>ROIC</i>	<i>-285%</i>	<i>-110%</i>	<i>-61%</i>	<i>-3%</i>	<i>-1%</i>
<i>Book Value/share</i>	<i>0.14</i>	<i>0.19</i>	<i>0.18</i>	<i>0.15</i>	<i>1.02</i>

Source: Company Reports, Canaccord Genuity estimates, FactSet

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: May 29, 2023, 17:01 ET

Date and time of production: May 29, 2023, 17:01 ET

Target Price / Valuation Methodology:

Centaurus Metals Limited - CTM

Our price target (NPV12%) is on a fully diluted basis and risked 90% to account for changing scope of the project. Our project valuation is based on our interpreted development/production scenario at Jaguar as outlined in the Value-Add Scoping Study and latest resource. Given the early stage of development of the project along with the financing and permitting stages to progress through, we have applied an 90% 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 05/29/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	605	65.26%	22.31%
Hold	136	14.67%	11.03%
Sell	16	1.73%	0.00%
Speculative Buy	156	16.83%	45.51%
	927*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

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

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

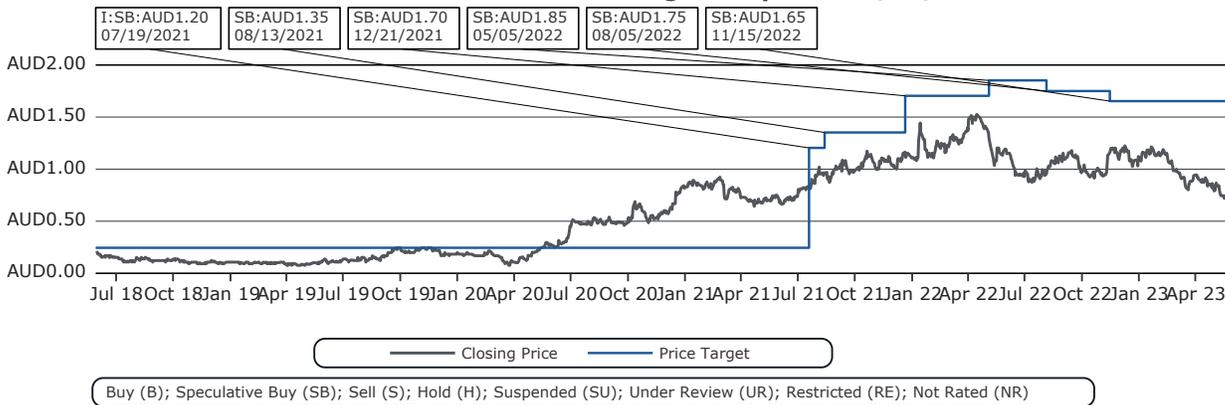
12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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