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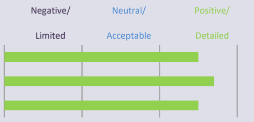
SPEC BUY

Current Price	$0.74
Valuation	$1.60

Code:	CTM
Sector:	Materials

ESG Ratings:



* All figures in AUD unless stated otherwise

Shares on Issue (M):		494
- fully diluted (M)		501
Market Cap ($M):		366
- fully diluted ($M)		371
Net cash ($M) [estimate]:		51
Enterprise value ($M):		403
EV/Resource Ni Tonnes		A$552/t
52 wk High/Low (ps):	$0.69	$1.22
12m av. daily vol. (Mshs):		0.7

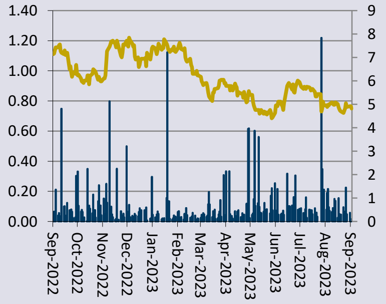
Key Metrics:

	FY27e	FY28e	FY29e
P/E (x)	56.9	2.5	2.3
EV/EBITDA (x)	13.1	9.8	7.2

Financials:

	FY27e	FY28e	FY29e
Revenue ($M)	66	372	434
EBIT ($M)	18	167	201
NPAT (A$M)	7	153	168
Net assets ($M)	550	597	679
Op CF ($M)	-1	155	156
Per share data:			
EPS (c)	1.3	29.4	32.3
Dividend (cps)	0.0	0.0	0.0
Yield (%)	-	-	-
CF/Share (cps)	-0.3	31.3	31.5
Prod (kt Ni)	2,481	13,897	16,216

Share Price Graph and trading volumes (msh)



Please refer to ESG comments from page 7 and important disclosures from page 8

Monday, 11 September 2023

Centaurus Metals (CTM)

Nickel for Dimes

Analyst | George Ross

Quick Read

We provide an update for Centaurus Metal's and its Jaguar Nickel Sulphide Project. We expect CTM's recent A$47M capital raise to see the Company through to Jaguar's Final Investment Decision. Raised funds will be used for studies, permitting and deep drilling. The successful acquisition of Jaguar's offtake rights from Vale will make Jaguar a more attractive proposition to potential suitors. Jaguar is a superior asset and CTM remains excellent value.

Key Points

Raising Complete: In August, CTM completed a A$47M raising at $0.73 per share to global institutional, corporate and sophisticated investors. Raised funds will be used for completion of the Jaguar DFS (scheduled for December 2023), Front End Engineering Design, other pre-development and financing activities ahead of a Final Investment Decision. These activities will include progression of the recently commenced strategic partnering process. The raising was completed at a share price lower than we had previously modelled, which impacts our valuation on a per share basis.

Deep Drilling Program: The current 109.2Mt at 0.87% Ni MRE for 949kt of nickel metal already makes Jaguar as one of the world's largest nickel sulphide ore bodies of good open pitable grade. The next MRE iteration is expected to contain more than 1Mt of contained nickel. The Jaguar system most closely resembles a structurally controlled IOCG style and is characterised by strong vertical continuity. Recent newly gained funding will also be used to drill root zones, beneath existing resources. If successful, this drilling will provide insight into how much bigger Jaguar's Resources may eventually become. We expect the outcomes of this work program should make Jaguar even more attractive to potential suitors.

Potential Partnerships: In our opinion the acquisition of 100% of offtake rights for all Jaguar products from Vale in exchange for a Net Operating Royalty was a major coup for CTM and remains unappreciated by the market. We anticipate that offtake rights will become a key bargaining chip during negotiations with potential partners. CTM has received significant inbound interest from EV OEMs, battery manufacturers and other entities who seek to secure Jaguar's low greenhouse gas emission nickel sulphate. There are few projects of scale globally which have the Resource base and potential production profile of Jaguar. Return of Jaguar offtake also paints a target on CTM's back as the project becomes attractive to larger corporates who seek quality long life production assets.

Project & Corporate Value Update: We have updated our project valuation to reflect changes to royalty terms. Our Corporate level NAV now assumes an outcome where a partner takes a 30% project level stake in Jaguar in exchange for a meaningful (A$300-400M) cash payment to CTM. These funds would be used towards CTM's 70% share of initial project capital costs. We expect the partnership deal would also provide access to a debt facility for any capital shortfalls.

Recommendation

We maintain our Speculative Buy recommendation and moderate our valuation to A$1.60 per share (previously $2.02 per share). The value of Jaguar and CTM's potential is not fairly recognised by the market. We expect positive news flow surrounding the DFS and potential development partnerships could result in a value rerate.

Centaurus Metals (CTM) **Jaguar 70% Attributable Interest Model** ***Equities Research***

Analyst: George Ross

Recommendation	**Speculative Buy**
Current Price	**$0.74**
Valuation	**$1.60**

Sector	**Metals & Mining**
Issued Capital (Mshs)	**494**
Market Cap (M)	**$ 366**

Monday, 11 September 2023

Profit & loss (A$M) 30 June	Unit	2026E	2027E	2028E	2029E
Sales Revenue	**A$M**	**0**	**66**	**372**	**434**
+ Other income/forwards	A$M	**0**	**0**	**0**	**0**
- Operating costs	A$M	-3	-14	-98	-115
- Royalties	A$M	0	-5	-21	-24
- Corporate & administration	A$M	-16	-16	-16	-16
Total Costs	**A$M**	**-19**	**-36**	**-134**	**-155**
EBITDA	**A$M**	**-19**	**31**	**238**	**279**
- margin	A$M	0%	46%	64%	64%
- D&A	A$M	0	-13	-71	-78
EBIT	**A$M**	**-19**	**18**	**167**	**201**
+ Finance Income/Expense	A$M	-5	-11	-6	0
PBT	**A$M**	**-24**	**7**	**161**	**201**
- Tax expense	A$M	0	0	-9	-33
- Impairments and other	A$M	0	0	0	0
NPAT	**A$M**	**-24**	**7**	**153**	**168**

Cash flow (A$M)	Unit	2026E	2027E	2028E	2029E
+ Revenue	A$M	0	66	372	434
- Cash costs	A$M	-22	-57	-211	-246
-Tax payments	A$M	0	0	0	-33
+ Interest & other	A$M	-5	-11	-6	0
Operating activities	**A$M**	**-27**	**-1**	**155**	**156**
- Property, plant, mine devel.	A$M	-261	-30	-6	-25
- Exploration	A$M	-2	-2	-2	-2
- Feasibility Studies	A$M	0	0	0	0
Investment activities	**A$M**	**-263**	**-32**	**-8**	**-27**
+ Borrowings	A$M	243	-57	-114	-114
- Dividends	A$M	0	0	0	0
+ Equity	A$M	0	0	0	0
Financing activities	**A$M**	**243**	**-57**	**-114**	**-114**
Cash change	**A$M**	**-46**	**-91**	**33**	**14**

Balance sheet (A$M)	Unit	2026E	2027E	2028E	2029E
Cash	**A$M**	**349**	**268**	**302**	**324**
Other Current Assets	A$M	0	0	0	0
Total current assets	**A$M**	**349**	**268**	**302**	**324**
Property, plant & equip.	A$M	**476**	**493**	**428**	**375**
Investments/other	A$M	0	0	0	0
Total non-curr. assets	**A$M**	**476**	**493**	**428**	**375**
Total assets	**A$M**	**825**	**761**	**730**	**699**
Trade payables	A$M	33	9	31	31
Short term borrowings	A$M	57	114	114	100
Other	A$M	4	15	31	32
Total curr. liabilities	**A$M**	**94**	**139**	**176**	**163**
Long term borrowings	A$M	186	71	-43	-143
Other	A$M	0	0	0	0
Total non-curr. liabil.	**A$M**	**186**	**71**	**-43**	**-143**
Total liabilities	**A$M**	**280**	**210**	**134**	**20**
Net assets	**A$M**	**545**	**550**	**597**	**679**

Resource	Mt	Ni %	Ni Kt
Jaguar South (II)	35.8	0.91	327
Jaguar Central (II)	12.5	0.81	100
Jaguar North (II)	3.2	1.15	37
Jaguar Central North(II)	14.2	0.62	88
Jaguar North East (I)	16.8	0.75	126
Jaguar West (II)	8.7	0.72	63
Onca Preta (II)	14.2	1.23	174
Onca Rosa (I)	1.9	0.98	19
Tigre (II)	2.00	0.77	15
Total Global MRE	**109.2**	**0.87**	**949**

Financial ratios	2027E	2028E	2029E	2030E
GCFPS Diluted (A¢)	0	31	31	32
CFR (X)	0.0	2.4	2.4	2.3
EPS Diluted (A¢)	1	29	32	35
PER (X)	56.9	2.5	2.3	2.1
DPS ($)	0%	0%	0%	0%
Yield (%)	0%	0%	0%	0%
Interest cover (X)	2	29	0	0
ROCE (%)	3%	30%	37%	33%
ROE (%)	1%	27%	30%	28%
Avg Gearing (%)	40%	20%	0%	-16%

Jaguar Operations summary	2027E	2028E	2029E	2030E
Ore processed (Mt)	0.4	2.3	2.7	2.7
Ni Head grade (%)	1.10	1.10	1.10	1.10
Met. Recovery (%)	78%	78%	78%	78%
Share of Ni in Final Product (t)	2481	13897	16216	16216
Cost per milled tonne (US$/t)	60	53	53	54
Cash costs pre royalty (US$/t)	6450	6138	6213	6302
C1 Costs net byproducts (US$/lb)	3.2	2.8	2.8	2.8
AISC net byproducts (US$/lb)	3.9	3.5	3.9	3.5

Price assumptions	2027E	2028E	2029E	2030E
AUDUSD	0.700	0.700	0.700	0.700
Nickel (US$/t)	17500	17500	17500	17500
Nickel (US$/lb)	7.94	7.94	7.94	7.94
Nickel (A$/t)	25000	25000	25000	25000

Company Valuation summary	A$M	A$/sh
70% Jaguar Project NPV9 AUD	918	1.86
Risk Discount (Study Maturity 20%)	-184	-0.37
Jambreiro Project	40	0.08
UG Mining & Exploration Potential	144	0.29
Corporate overheads	-161	-0.33
Cash & Equivalents	51	0.10
Debt	0	0.00
Option/equity dilution	-18	-0.04
Total	790	1.60

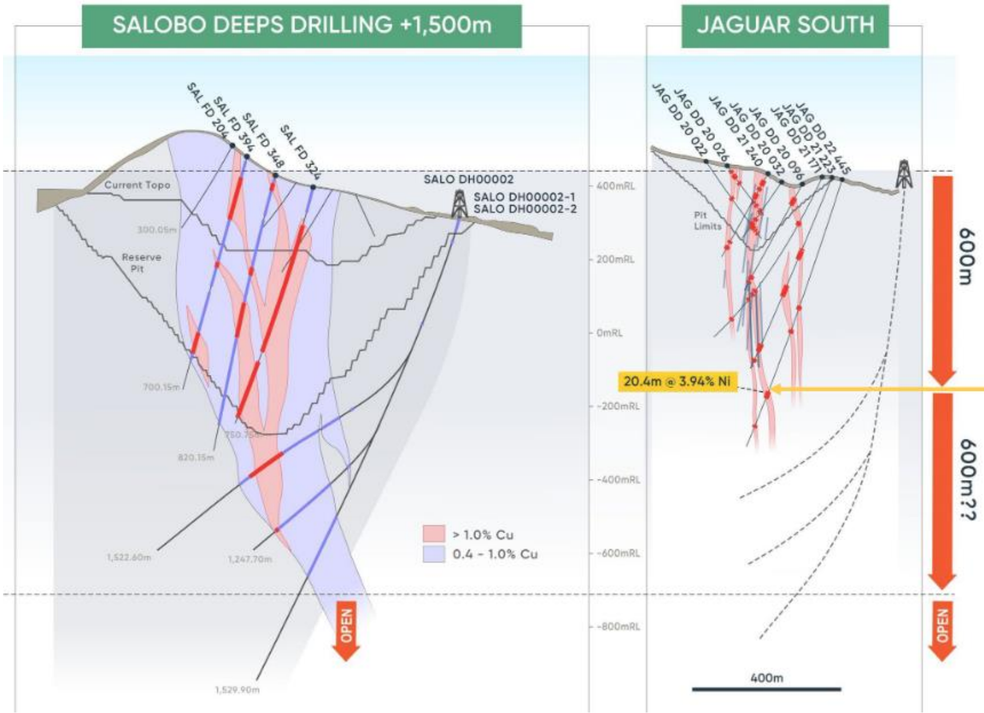
^ Future Option/Equity Dilution is calculated using an NPV formula that considers value of dilutionary shares/options in future periods against the current project valuation

Directors, management	
Didier Murcia	Chairman
Darren Gordon	Managing Director / CEO
Bruno Scarpelli	Executive Director
Mark Hancock	Non-Executive Director
Chris Banasik	Non-Executive Director
Natalia Streltsova	Non-Executive Director
Roger Fitzhardinge	GM - Exploration & Growth
Wayne Foote	GM - Operations
John Westdorp	Chief Financial Officer

Top shareholders (at 31st July)	M shs	%
McCusker Holdings Pty Ltd	59	14
Harmanis	22	5
Dundee Corporation	21	5
Sprott Inc.	18	4
Regal	17	4
Management	13	3

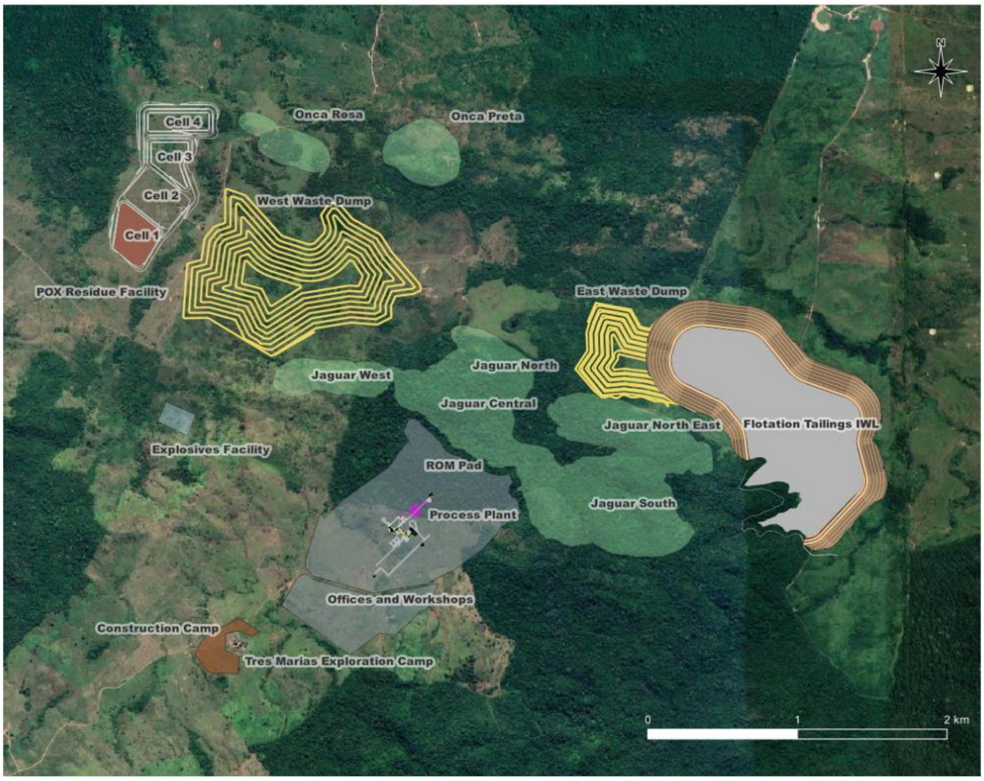
Shares	2024E	2025E	2026E	2027E
New shs issued/exerciseable	68	21	1	1
Average issue price	0.7	1.2	0.0	0.0
Ordinary shares - end	495	517	518	518
Diluted shares - end	501	520	520	520

Figure 1: Cross section of Vale's Salobo IOCG deposit (Left) versus planned deep drilling at Jaguar South (Right).



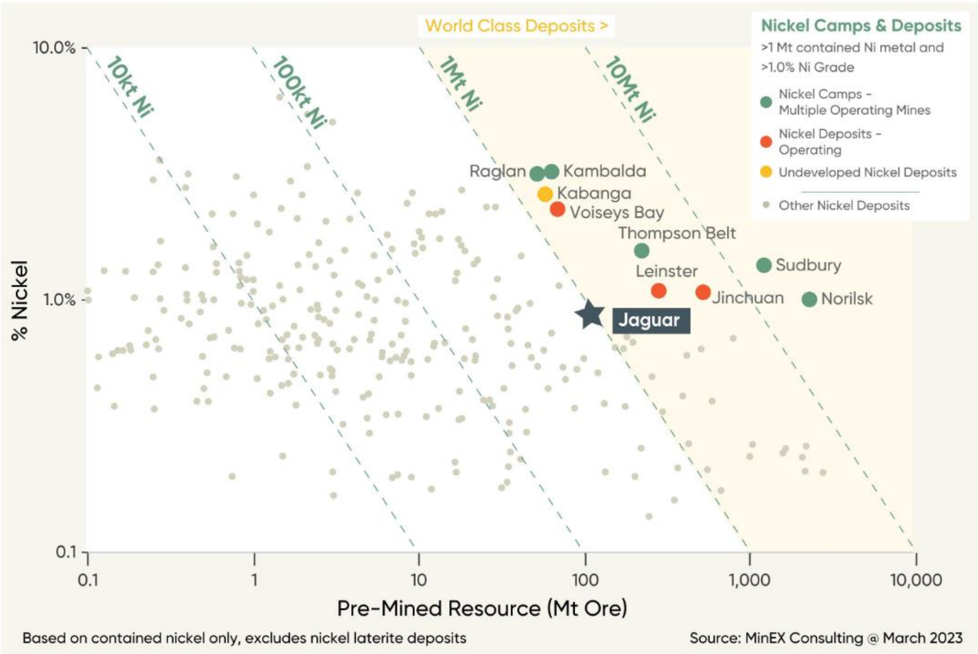
Source: CTM

Figure 2: Overview map of planned Jaguar infrastructure.



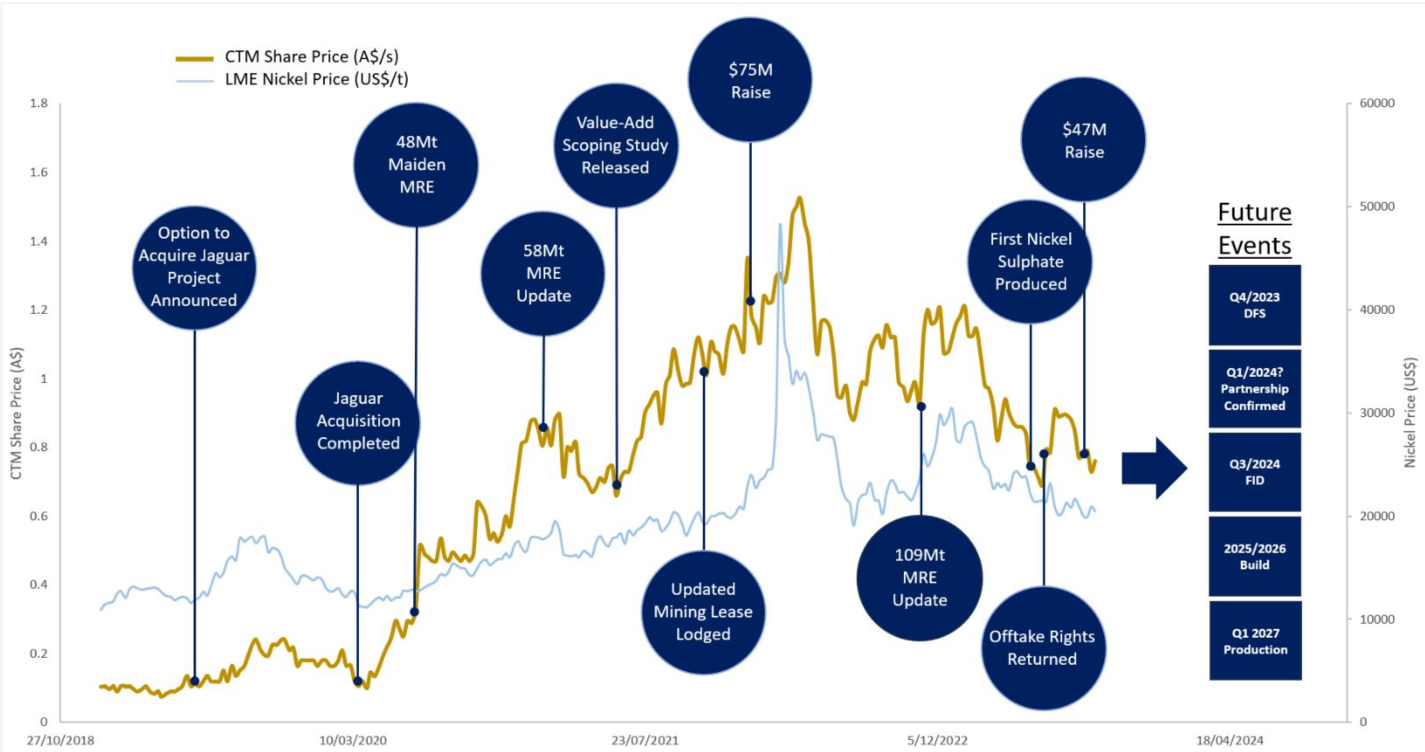
Source: CTM

Figure 3: Comparison of nickel sulphide ore bodies.



Source: CTM

Figure 4: CTM share and nickel metal price performance since 2019 with major events flagged.



Source: Argonaut

Share Price Catalysts

Share price catalysts include the December DFS, a possible partnership deal and aggressive action from a would-be acquirer

Despite having doubled nickel resources, progressed studies, advanced permitting and regained project offtake, CTM's shares are languishing at approximately the same price they were two years ago (Figure 4).

Major share price catalysts we expect in the next six to twelve months include outcomes of the Jaguar DFS (December) and confirmation of a development partnership or deal with a major international electric vehicle or battery manufacturer.

At its current market capitalisation, CTM also remains vulnerable to aggressive corporate activity for larger miners. In our June Brazilian Comparisons CTM research report we examine the US$1.06B acquisition of the Santa Rita and Serrote base metals mines by ACG Acquisition company. In this report we estimate that Jaguar would be valued A$1.07B ($2.16/share) in a comparable transaction.

Jaguar Project Valuation

We estimate a 100% Ownership Present Day NPV9 of approximately A$1.3B

We estimate an optimised Present Day NPV9 of A$1.3B for 100% of the Jaguar Project, equivalent to $2.16 per share. Changes to our project model have primarily been driven by the inclusion of higher Vale product royalty rates, and better value representation of by-product credits.

Our project model includes the extraction of 65Mt of ore grading 0.87% Ni plus by-products from an open pit only operation. Our pit model assumes a post-strip waste:ore strip ratio of ~7:1. We assume a mined grade of 1.1% Ni in the first four years, and 0.82% Ni thereafter. Our process plant is configured to mill 2.7Mtpa of ore sorted feed with later flotation, pressure oxidation, purification and crystallisation of high value nickel sulphate, cobalt hydroxide and zinc hydroxide by-products.

We assume US$440M in initial capital expenditure including pre-strip. Our model generates an average life-of-mine AISC of US$4.2/lb (net-byproducts) of payable nickel throughout life of mine. We maintain our 107% metal payability for a nickel sulphate product. Our model uses a static $17,500/t long term nickel price.

We model a 24-month development period starting construction in Q1 CY2025 with commissioning beginning late 2026 and commercial production ramp up from Q1 2027.

Corporate Level Valuation

Our Corporate Level valuation now includes a potential 30% project sell down to a partner. The proceeds of this deal would underpin CTM's development capital contribution

Assuming a proportion of the project is sold, CTM's exposure to Jaguar will be proportionally reduced. This is reflected in our NAV as 70% (A$918M) of project's present day NPV. Sole funding of the project without a reduction in ownership would results in a higher Corporate NPV, although would carry higher financial risk.

For our corporate level valuation, we now assume that 30% of Jaguar will be sold down to a partner for a cash payment ~A$300-400M. Financial proceeds from this transaction will be used towards funding of CTM's 70% share of capital development costs. A debt facility would be used for any funding shortfalls.

The recent capital raising was completed at a share price lower than what we had modelled, resulting in greater dilution than we had anticipated.

We persist in applying a Study Maturity discount of 20% to represent uncertainty in our project model. This will be eliminated once the Jaguar DFS is released. Without this discount CTM would be valued at A$1.97 per share.

The Jambreiro Iron Ore project remains CTM's sleeper project. We apply a $40M valuation for this asset. We apply a credit for value achieved from potential future underground mining at Jaguar and exploration across all projects. Corporate overheads are presented as a the NPV of modelled heady company future outgoings. We estimate $51M in current cash and equivalents with no major debt. The potential value of employee options and performance shares is modelled at $18M.

Table 1: CTM company level net asset valuation.

Company Valuation summary	A$M	A$/sh
70% Jaguar Project NPV9 AUD	918	1.86
Risk Discount (Study Maturity 20%)	-184	-0.37
Jambreiro Project	40	0.08
UG Mining & Exploration Potential	144	0.29
Corporate overheads	-161	-0.33
Cash & Equivalents	51	0.10
Debt	0	0.00
Option/equity dilution	-18	-0.04
Total	790	1.60

^ Future Option/Equity Dilution is calculated using an NPV formula that considers value of dilutionary shares/options in future periods against the current project valuation

Source: Argonaut

We assign a current valuation of A$1.60 per share for CTM based on retention of 70% of the Jaguar project

Recommendation & Valuation

We maintain our Speculative Buy and moderate our valuation to A$1.60 per share. The main driver of a reduced valuation is our assumed financing pathway to development. Our speculated sale of 30% of Jaguar at a project level, reduces CTM's exposure to project value and potential upside. The benefit of this outcome is reduced funding risk. If CTM received better market value recognition, a more conventional equity-debt mix could be used to fund development of the project, whilst retaining 100% of the project.

In Argonaut's view, CTM remains significantly undervalued by the market. The completion of savvy project level Jaguar partnership deal could fund the project through to development with negligible further dilution and reduced financial risk.

Key Risks to valuation

Risks remain

Timelines

Our discounted cash flow model is time dependant. Any delay to scheduled development or production will adversely effect on our valuation.

Metallurgical performance

Pilot POX test programmes have been completed with positive outcomes. Fluro-apatite is associated with mineralisation at the Jaguar project. Sulphide concentrate characterisation studies have concluded that fluorine is present in quantities that may attract a penalty. Production of a sulphate product via POX eliminates this penalty risk.

Commodity Pricing

Value estimates are based on consensus long term commodity price forecasts. A 10% difference to the price of nickel over the modelled life of mine will result in a ~25% shift in project valuation.

Costs

Cost assumptions are based on operating and capital costs from CTM documentation and our knowledge of industry rates.

Exploration success

Valuation assumes that future exploration and investments achieve acceptable returns. Subjective value is attributed to exploration assets at Jaguar.

Interest rates/discount rates

Argonaut takes cash flow risk into account when choosing discount rates for different projects. Our valuation is sensitive to the discount rate used.

ESG credentials and sustainability

In this section we collate information regarding CTM's Environmental, Social and Governance performance. Refer to the disclosures section for commentary on Argonaut's approach to ESG.

Table 2: Environmental, Social, and Governance comments

COMMITMENT / DELIVERY	Positive
• Our view on commitment and delivery needs to be considered in the light of the stage of operations • ESG issues are addressed in announcements and on the Company's website • CTM has displayed strong engagement with local communities and various levels of government • More than 90% of the current Jaguar project workforce are from the south-eastern region of the state of Para • More than 80% of Jaguar project expenditure related to exploration and development work has been award to local community and regional suppliers • CTM has constructed a plant nursery on site • The Company has implemented an internship program with the University of Maraca in the fields of geology, mining and engineering • CTM has improved access roads to the Jaguar site. These are also used by the local communities • CTM donated a 20,000L water tank to the nearby village of Minerasul • Survey data suggests that 95% of the local community interviewed support the Jaguar Project	
INDUSTRY	Positive
• Nickel is vital to the manufacture of NCM lithium-ion batteries. The demand for lithium-ion batteries is expected to grow with a global economic shift towards decarbonisation • The current development plan for CTM is to produce a nickel sulphate product via treatment through Pressure Oxidation • A greenhouse gas emission analysis of CTM's planned sulphate product is expected to be lower than 95% of global nickel production. This low production emission profile is driven by availability of hydroelectricity and the hydrometallurgical route of processing	
REPORTING	Acceptable
• CTM provides information about sustainability within various company announcements • A formal ESG Framework was implemented in late 2021. This framework is based on the Towards Sustainable Mining Principles and the United Nations-supported Principles of Responsible Investment • In May 2023 CTM published its first sustainability report.	

** Please refer to disclosures section for Argonaut's approach to sustainability*

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Important Disclosure
The publishing analyst owns CTM shares.

Argonaut Securities Pty Ltd acted as Joint Lead Manager and Joint Bookrunner in respect of the Placement to raise approximately $35M announced in July 2023 and received fees commensurate with this service. Argonaut holds or controls 161,638 CTM shares.

Information Disclosure
Each research analyst of this material certifies that the views expressed in this research material accurately reflect the analyst's personal views about the subject securities and listed corporations. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this material to any of the analyst(s).

ESG and Sustainability Commentary
Argonaut has introduced sustainability analysis for selected companies under coverage. Our intention is to highlight ESG-related attributes or risks, as it is believed these will increasingly impact investment attractiveness, cost of capital, and valuation. It is considered in the context of the size and life-cycle stage of the company. Where sustainability risk is high relative to company size/maturity, the analyst will consider adjusting the valuation and/or opinion to reflect this risk. A brief rationale behind the view and its impact on the analysis may be provided in the report.

The following table summarises how we have approached this issue. It is not all inclusive and we do not purport to provide a rating that is inclusive of all the factors that may be considered in a full ESG ratings report.

Measure	Selected Analysis factors	View
Commitment, operational delivery & risk mitigation	Largely subjective: • Visible efforts to embrace a more sustainable future • Nature of operations, jurisdiction and environmental impact • Comparison to peers in the same industry/sector • Efforts to mitigate identified risks • Engagement with stakeholders • Corporate governance considerations and good citizenship • Diversity, equality, and inclusion • Company actions supportive of aspirational targets • Energy usage and efforts to mitigate climate risks • Any reported ESG-related/corporate governance issues	Positive Neutral Negative
Industry/Sector sustainability	Largely subjective: • Commodity/product/service contribution to sustainable future • Industry/sector/business model resilience as pertains to ESG factors • Sector energy intensity and/or carbon emissions • Downstream/supply chain impact on sustainability	Positive Neutral Negative
Company ESG reporting	Largely objective (but in context of company size/maturity): • Sustainability/corporate governance report/audit • Availability of data to back up narrative (emissions, water usage etc.) • Reference to ESG-related framework (GRI, SASB, TCFD, UN SDGs, MSA) • Rating from a recognised global ESG ratings agency	Detailed Acceptable Limited

In the absence of uniform global reporting standards Argonaut's current approach and views are necessarily largely subjective. Argonaut will consider ways to formalise ratings as the ESG ratings industry and measurement criteria evolve, but in the meantime investors should do their own analysis and/or obtain independent ratings from ratings providers.

Note that in this context Argonaut uses sustainability and ESG interchangeably.

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