

**Ticker:** CTM AU

**Cash:** A\$23m

**Project:** Jaguar

**Market cap:** A\$369

**Price:** A\$0.865/sh

**Country:** Brazil

**REC. (unc):** BUY

**TARGET (unc):** A\$3.10/sh

**RISK RATING (unc):** HIGH

Three take homes from today's met are i) simple proof-of-concept, key given sulphate's payability close to 100% vs. ~75% for traditional concentrate offtake, with deleterious / penalty elements immaterial to now 'pure' nickel sulphate product; ii) timely results enable the year end DFS target to be maintained, and iii) cobalt and zinc products (and even some Ni) previously reporting to a low-payability mixed-sulphate (MSP sawy 85% zinc, 30% cobalt payability, and zero payability on Ni/Cu), but now we report to discrete high-payability Zn and Co hydroxide by-products. Overall recoveries of 75% vs 77% in the value-add scoping study should thus be more than offset by additional credits / by products and payability. For now, **we maintain our BUY rating and our A\$3.10/sh PT based on 0.6xNAV<sub>7%-9.50</sub> on 45Mt / 364kt Ni inventory.** As of today, CTM is trading at a net US\$835/t reserve, a fraction of the US8,932/t reserve of Mincor based on the Wyloo takeover bid, and well below US\$900-9,000/t reserve peers, pointing to material valuation upside here.

**Table 1. Zinc hydroxide, nickel sulfate and cobalt hydroxide from Jaguar refinery pilot testwork**



Source: Centaurus

### Final phase pilot work sees additional revenue stream with high-purity cobalt hydroxide by-product

Following previously reported Phase 1 and 2 results, Centaurus reports Phase 3 cobalt and nickel solvent extraction circuits, and Phase 4 nickel sulphate crystallisation plus zinc and cobalt hydroxide precipitate production results to date. Phase 3 solvent extraction produced high-purity nickel and cobalt-strip solutions with over 99% of the cobalt extracted and less than 0.7% of nickel lost. A total nickel recovery of 96% from concentrate feed to nickel sulphate product (75% ore to sulphate recovery @ 0.87% Ni head grade) was achieved. Final assays testing for the specification ranges of premium battery-grade nickel sulphate product and zinc hydroxide and cobalt hydroxide by-products will be completed in the next four weeks. Results to be incorporated in the upcoming DFS.

### Why we like Centaurus

1. Only >1Mt NiEq metal, <\$500m capex, pitable nickel sulphide junior globally
2. Favourable macro as EV's see 24% Ni demand lift to 2024 against 2021 production numbers
3. CO<sub>2</sub> / energy security value with <1/10<sup>th</sup> the CO<sub>2</sub> of laterites, and location outside Russia
4. Taking 'best trodden' new route to management, POX; lower technical risk vs. carbonyl route
5. 10Y 75% tax-breaks in well known mining jurisdiction (no rainforest, RAP, indigenous)

### Catalysts

- 2H23: reserves/DFS

- 2023: step-out / extensional and Jaguar Deeps drilling
- 2023: greenfields regional exploration drilling
- 2023: updated MRE
- 2023: advance permitting

**Research**

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<b>Ticker:</b> CTM AU	<b>Price / mkt cap:</b> A87c/sh / A\$369m	<b>P/NAV today:</b> 0.17x	<b>Country:</b> Brazil
<b>Author:</b> B Salier/E Magdzinski	<b>Rec/0.6xNAV7% PT:</b> BUY, A310c/sh	<b>1xNAV<sub>2023</sub> FF FD:</b> A\$4.83c/sh	<b>Asset:</b> Jaguar

Commodity price	CY20A	CY21A	CY22E	CY23E	CY24E
Ni price (US\$/t)	20,944	20,944	20,944	20,944	20,944
Ni price (US\$/t, payable)	20,546	20,546	20,546	20,546	20,546
<b>1xNAV project valuation*</b>	<b>A\$m</b>	<b>o/ship</b>	<b>NAVx</b>	<b>A\$/sh</b>	
Jaguar NPV (build start)	1,714	100%	1.0x	3.92	
Resources ex reserve @ 3% insitu	445	100%	1.0x	1.02	
Cash at 1Q23	23.0	100%	1.0x	0.05	
Cash from ITM options	1.5	100%	1.0x	0.00	
<b>1xNAV A\$ @ 1Q23</b>	<b>2,184</b>			<b>4.99</b>	

\*Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.17x

Asset value: 1xNPV project @ build start (A\$m, ungeared)*					
	7.50/lb	8.50/lb	9.50/lb	10.50/lb	11.50/lb
Group NAV (A\$m)	16,535	18,739	20,944	23,149	25,353
9.0% discount	1,228	1,591	1,955	2,319	2,682
7.0% discount	1,375	1,779	2,184	2,588	2,993
5.0% discount	1,551	2,004	2,457	2,910	3,363
Ungeared project IRR:	42%	51%	61%	70%	78%
Group NAV (A\$/sh)	16,535	18,739	20,944	23,149	25,353
9.0% discount	2.80	3.64	4.47	5.30	6.13
7.0% discount	3.14	4.07	4.99	5.91	6.84
5.0% discount	3.54	4.58	5.61	6.65	7.68

\*Project level NPV, excl finance costs and central SGA, discounted to build start

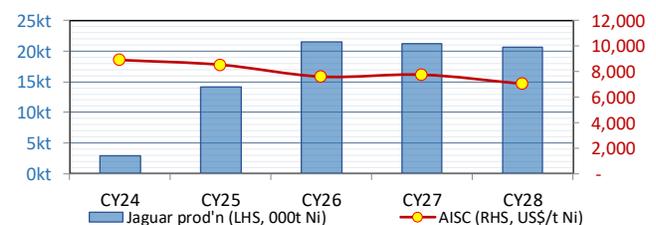
SOTP company valuation^	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27
Jaguar NPV	1,714	1,966	2,324	2,259	2,108
Resources ex reserve	445	445	445	445	445
Central G&A & fin costs	(71)	(67)	(45)	(25)	(11)
Net cash prior quarter	23.0	83.4	(147.8)	40.5	312.7
Cash from ITM options	1.5	1.5	1.5	1.5	1.5
NAV (A\$m)	2,113	2,429	2,577	2,721	2,856
FD share count (m)	438	500	500	500	500
1xNAV7%/sh FF FD (A\$/sh)	4.83	4.86	5.16	5.44	5.71
<b>0.6xNAV7% PT:</b>			<b>3.09</b>		

Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^					
	7.50/lb	8.50/lb	9.50/lb	10.50/lb	11.50/lb
Group NAV (A\$m)	16,535	18,739	20,944	23,149	25,353
9.0% discount	1,538	1,964	2,390	2,816	3,242
7.0% discount	1,657	2,117	2,577	3,037	3,497
5.0% discount	1,796	2,296	2,795	3,294	3,793

Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^					
1xNAV (A\$/sh)	16,535	18,739	20,944	23,149	25,353
9.0% discount	2.81	3.76	4.71	5.68	6.64
7.0% discount	3.09	4.12	5.16	6.20	7.24
5.0% discount	3.42	4.54	5.67	6.80	7.94

Production (Y1 from 3Q20)	CY24	CY25	CY26	CY27	CY28
Jaguar production (000kt Ni)	2.9	14.2	21.4	21.1	20.7
C1 cost (US\$/t Ni)	8,178	7,806	6,882	7,009	6,115
AISC cost (US\$/t Ni)	8,888	8,515	7,589	7,739	7,026

AISC = C1 + sustaining capex + central G&A, C3 = AISC + depreciation



Source: SCP estimates

Resource/Inventory	Mt	NiEq %	Mt	Ni %
	4Q22 JORC		SCP inventory	
M&I	85.7	1.05%	OP:	36.6
Inferred	22.2	1.06%	UG:	8.5
	108.0	0.99%	Total	45.1
				0.81%

Funding: uses		Funding: sources	
Capex (A\$m)	374	Cash at 1Q23	23.0
Drilling/FS cost (A\$m)	8.7	SCPe debt (A\$m)	242.9
Working cap >DFS (A\$m)	21.4	SCPe 0.5NAV equity (A\$m)	155.0
G&A and fin. cost (A\$m)	22.9	Total sources (A\$m)	421.0
Total uses: group (A\$m)	426.8	Drilling / buffer (A\$m)	-5.8

Share data (m)	Basic	FD	FF FD
Shares (m)	427.1	437.7	499.8

Ratio analysis	CY20A	CY21A	CY22E	CY23E	CY24E
Shares out (m)	325.9	329.5	427.1	499.8	499.8
EPS (Ac/sh)	-	-	-	-	2.1
CFPS before w/c (A\$/sh)	-	-	-	-	-
EV (A\$m)	257.8	276.7	335.4	295.0	610.9
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	41.3x
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	16.1x

Income statement	CY20A	CY21A	CY22E	CY23E	CY24E
Revenue (A\$m)	0.5	-	-	-	77.6
COGS (A\$m)	-	-	-	-	34.1
<b>Gross profit (A\$m)</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43.5</b>
G&A (A\$m)	2.9	2.7	4.1	6.1	5.6
Exploration (A\$m)	7.3	12.9	37.6	8.7	-
Finance costs (A\$m)	0.1	-	-	-	17.0
Tax (A\$m)	-	-	(0.3)	-	6.6
Other (A\$m)	3.6	0.7	(1.3)	(0.6)	3.9
<b>Net income (A\$m)</b>	<b>(13.3)</b>	<b>(16.3)</b>	<b>(40.2)</b>	<b>(14.3)</b>	<b>10.5</b>

Cash flow statement	CY20A	CY21A	CY22E	CY23E	CY24E
EBITDA (A\$m)	(11.5)	(16.4)	(41.7)	(14.9)	37.9
Add share based (A\$m)	0.5	0.8	-	-	-
Net change wkg cap (A\$m)	(1.6)	-	(1.5)	3.2	21.4
<b>Cash flow ops (A\$m)</b>	<b>(5.3)</b>	<b>(15.5)</b>	<b>(38.7)</b>	<b>(17.5)</b>	<b>(6.7)</b>
PP&E - build + sust. (A\$m)	(1.2)	5.8	6.1	66.0	309.1
PP&E - expl'n (A\$m)	-	-	0.4	0.3	-
<b>Cash flow inv. (A\$m)</b>	<b>1.2</b>	<b>(5.8)</b>	<b>(6.9)</b>	<b>(66.2)</b>	<b>(309.1)</b>
Share issue (A\$m)	24.8	5.5	72.7	186.9	-
Debt draw (repay) (A\$m)	-	-	-	-	242.9
<b>Cash flow fin. (A\$m)</b>	<b>24.8</b>	<b>5.5</b>	<b>72.7</b>	<b>186.9</b>	<b>242.9</b>
Net change in cash (A\$m)	19.5	(16.0)	27.3	103.3	(72.9)

Balance sheet	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (A\$m)	24.1	8.3	34.0	137.3	64.4
Acc rec. + invet. (A\$m)	0.2	0.2	1.4	0.0	32.7
PP&E & expl'n (A\$m)	9.5	15.3	21.9	88.1	393.0
<b>Total assets (A\$m)</b>	<b>33.9</b>	<b>23.8</b>	<b>57.4</b>	<b>225.5</b>	<b>490.1</b>
Debt (A\$m)	-	-	-	-	242.9
Accounts payable (A\$m)	1.9	1.9	4.6	-	11.2
Others (A\$m)	24.3	8.5	35.4	137.3	97.1
Total liabilities (A\$m)	7.7	7.7	8.1	3.5	257.6
Shareholders' equity (A\$m)	155.9	162.2	236.3	423.2	423.2
Reserves (A\$m)	(8.3)	(8.3)	(5.8)	(5.8)	(5.8)
Retained earnings (A\$m)	(121.5)	(137.8)	(181.1)	(195.4)	(185.0)
<b>Liabilities + equity (A\$m)</b>	<b>33.9</b>	<b>23.8</b>	<b>57.4</b>	<b>225.4</b>	<b>490.0</b>

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**SELL:** The stocks total returns are expected to be materially lower than the overall market

**TENDER:** The analyst recommends tendering shares to a formal tender offering

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**NOT RATED ((N/R):** The stock is not currently rated

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BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	1
NOT RATED:	0
TOTAL	56

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