

Ticker: CTM AU **Cash:** A\$47m **Project:** Jaguar
Mkt cap: A\$448m **Price:** A\$1.05/sh **Country:** Brazil

REC. (unc): BUY **TARGET (+50c):** A\$3.10/sh **RISK RATING (unc):** HIGH

Big surprise, big win, big deposit with 2nd best EV/decarbonisation macro after lithium: In September we were looking for minimal headline growth (vs. +29% contained metal today), and 50-60Mt of M&I for 500kt Ni (vs. 730kt published today) leaving today's update outstanding, and a complete surprise. For context, the new resource equates to 12.3Moz @ 3.6g/t AuEq – given the chosen POX route gives full payability compared to N American / Australian peers selling concentrate to third parties at historic 75% payability. **We think the nickel sulphide demand-case is scarily good to:** (i) EV demand alone, by 2024 (not some lofty 2030 'forecast') sees +0.6Mt demand lift or 23% of 2021 supply; (ii) CO₂ of 4.7t:t Ni for Jaguar compares to ~60t from laterite peers (themselves representing 92% of forecast supply-growth) as Vale's Class 1 (sulphide/sulphate for EV) nickel premium already stands at US\$1,770/t in 3Q22; and (iii) the Siberian Tiger in the room? Norilsk hosts 3x more sulphide than every other >1% Ni sulphide deposit, globally, combined but in Russia being quite the pickle. This leaves Jaguar well-deserved of a scarcity premium alone, all the more given the stock trades at just US\$239/t NiEq / 1.0% in-situ. The uplift into production is clear, exemplified by \$800m-capped 'producing' peers such as Mincor trading at US\$2,258/t Ni resource or 9.2% in-situ (>9x higher than Centaurus) with just 84kt Ni in reserve.

Valuation update: Our existing DCF sees just 37Mt @ 0.76% Ni OP and 8.5Mt @ 1.0% Ni UG – that already drives a 13Y mine life at 20ktpa. We expect the DFS to maintain the same size/throughput; at a minimum this should show a materially longer life, and more likely albeit long dated, the new resource could support future expansions. For now, we maintain our mine plan / 45Mt @ 0.81% inventory. However, we replace our +15% nominal exploration upside with an in-situ value for resources outside reserves. Broadly 25% in-situ equates to post-opex post-tax 1xNPV undiscounted, call this 20% discounted, 15% accounting for mine-build equity dilution; applying just 0.2x to this to account for longer-dated input and lower reserve conversion, we apply 3.75% in-situ for A\$556m, or c. 30% of the DCF value of Jaguar. Rolling forward and updating for cash, **we maintain our BUY rating but lift our PT from A\$2.60/sh to A\$3.10/sh based on 0.6xNAV_{7%-9.50} on 45Mt / 364kt Ni inventory.** The upside from here is dramatic – 1xNAV, fully-funded fully-diluted sits at A\$4.50-5.00/sh into production. Alternatively our PT, run at spot, sits at 375c/sh, while 1xNAV FF FD lifts to A\$6-7/sh. How precisely this funding, build and production scenario pans out isn't fully defined right now of course, but what is clear is all the above scenarios are multiples of the current price, with the next step of gap-close coming next year with reserves, DFS and permitting.

Figure 1. (A) Onca Preta and (B) Jag South Cross sections showing today's deep step-out drill results

Jaguar MRE			
Resource	4Q21	4Q22	D (%)
Tonnes (000t)	80.60	108.00	34%
Grade (% NiEq)	1.03%	0.99%	-4%
NiEq metal (000t)	831	1,072	29%
M&I (% total)	55%	78%	42%
M&I Grade (% NiEq)	1.05%	1.05%	0%
Tonnes added (000t)	22.00	27.40	25%
Grade of new tonnes (% NiEq)	1.18%	0.88%	-26%
High grade tonnes (000t)	22.40	28.60	28%
High-grade (% NiEq)	1.70%	1.60%	-6%
Ni metal (000t)	380	459	21%

Source: Centaurus, SCP, high-grade resource at 1% cut-off

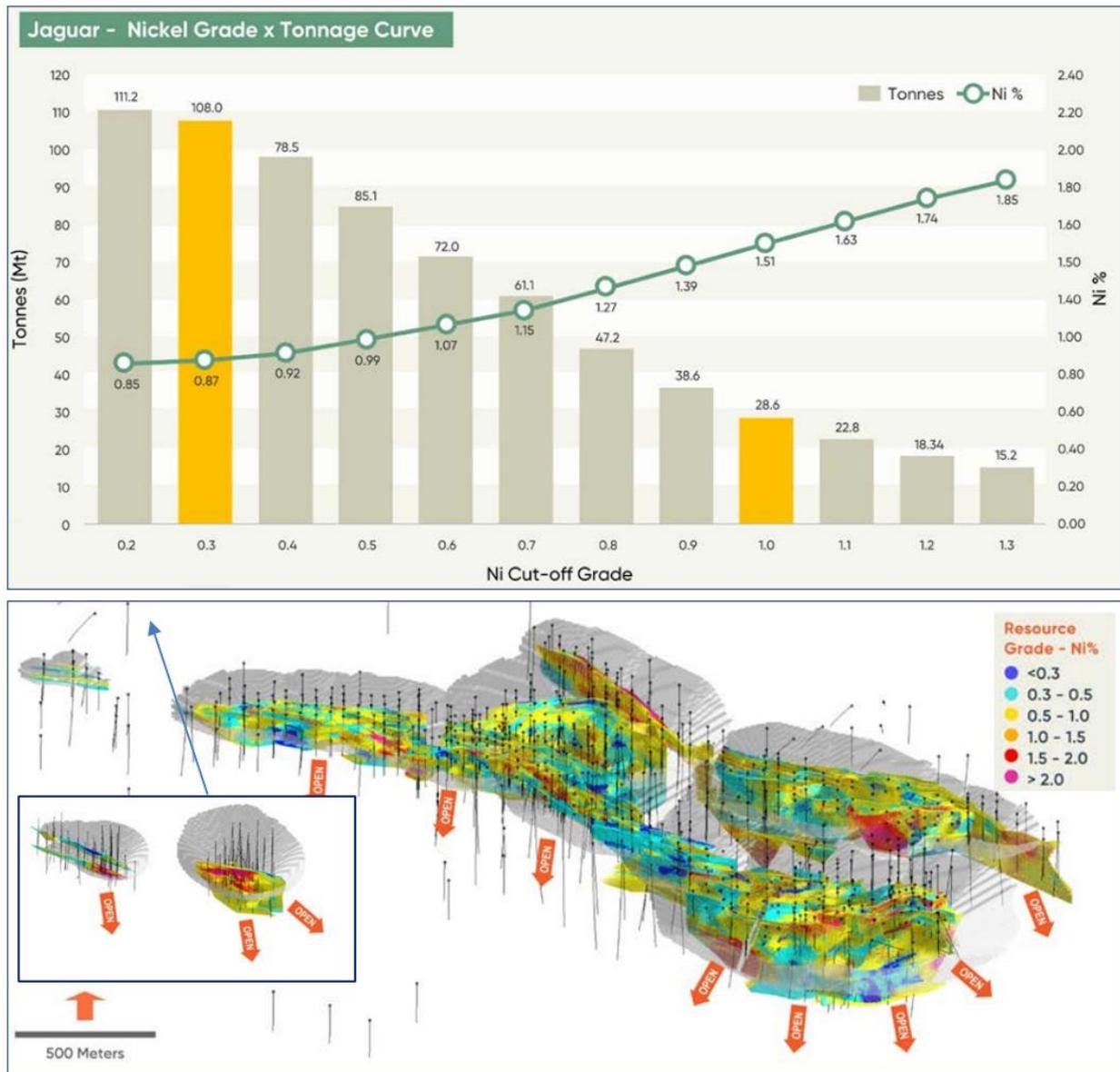
MRE modelling assumptions		
Jaguar MRE	2021 MRE	2022 MRE
Parent block (m)	10x2x10; 1m composites	10x2x10; 1m composites
Cut-off (% Ni)	0.3% in pit, 0.7% Ni below	0.3% in pit, 0.7% Ni below
Number of Holes	398 DD (104,509m)	699 DD (162,750m)
Number of Holes	46 RC (6,358m)	71 holes (10,020m)
Model method	OK	OK
Metal Prices (\$US)	US\$20,000/t Ni US\$40,000/t Co	US\$22,000/t Ni US\$44,092/t Co
Search ellipse (m)	75m 1st 150m 2nd pass	75m 1st 150m 2nd pass
Top cut	None	Domain 121 Ni, other Cu and S

Source: Centaurus

Resource upgrade a big beat without sacrificing grade as EV macro kicks in, PT lifted to 310c/sh

Centaurus has lifted the Jaguar resource from 81Mt @ 1.0% NiEq for 831kt contained metal to 108Mt @ 1.0% NiEq for 1,072kt NiEq metal (*SCP equivalencies at spot*). M&I has lifted from 55% of total to 78% of total, with 86Mt @ 1.05% NiEq for 833kt NiEq (**730kt Ni**) in M&I. The resource was completed on the same inputs as prior estimates, with the sole change lifting prices by ~10% from \$20k/t Ni to \$22/t Ni (Table 1). Resources are constrained at 0.3-0.7% Ni for pit and UG, respectively. At a higher 1% cut off there is 29Mt @ 1.51% Ni for 432kt Ni, with 30% of this lying within 100m of surface providing the opportunity for faster payback in early years. Cash of A\$47m more than funds the maiden reserve and DFS, due for completion in mid 2023.

Figure 2. (A) Grade-tonnage curve, and (B) isometric view showing Ni grade (Onca satellites inset)



Source: Centaurus

Why we like Centaurus Metals

1. Only >1Mt Ni contained, <\$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. CO₂ / energy security value with <1/10th the CO₂ 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

1. 1H23: Maiden reserve
2. 1H23: DFS
3. 2023: Regional drilling with infill complete, heli-tem flown mid 2022
4. CY23: Permitting and funding

Research

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Konstantinos Kormpis (Toronto) M: +1 778-957-3623 kkormpis@sprott.com

Ticker: CTM AU	Price / mkt cap: A105c/sh / A\$448m	P/NAV today: 0.20x	Country: Brazil
Author: B Salier/E Magdzinski	Rec/0.6xNAV7% PT BUY, A310c/sh	1xNAV7%_{4Q22} FF FD: A\$5.00c/sh	Asset: 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
1xNAV project valuation*	A\$m	o/ship	NAVx	A\$/sh	
Jaguar NPV (build start)	1,758	100%	1.0x	4.03	
Resources ex reserve @ 3% insitu	445	100%	1.0x	1.02	
Cash at Oct 2022	47.0	100%	1.0x	0.11	
Cash from ITM options	1.2	100%	1.0x	0.00	
1XNAV A\$ @ 4Q22	2,251			5.16	

*Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.20x

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)	16,530	18,734	20,938	23,142	25,346
9.0% discount	1,065	1,444	1,823	2,202	2,581
7.0% discount	1,241	1,668	2,096	2,524	2,952
5.0% discount	1,451	1,937	2,423	2,908	3,394
Ungeared project IRR:	42%	51%	61%	70%	78%
Group NAV (A\$/sh)	16,535	18,734	20,938	23,142	25,346
9.0% discount	1.93	2.77	3.62	4.47	5.33
7.0% discount	2.32	3.27	4.24	5.20	6.18
5.0% discount	2.79	3.88	4.97	6.08	7.18

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

SOTP company valuation^	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
Jaguar NPV	1,758	1,862	2,360	2,385	2,232
Resources ex reserve	445	445	445	445	445
Resources ex reserves	(70)	(68)	(56)	(34)	(17)
Net cash prior quarter	47.1	192.2	(172.5)	(67.9)	211.2
Cash from ITM options	1.2	1.2	1.2	1.2	1.2
NAV (A\$m)	2,181	2,432	2,578	2,729	2,872
FD share count (m)	437	497	497	497	497
1xNAV7%/sh FF FD (A\$/sh)	5.00	4.90	5.19	5.50	5.78

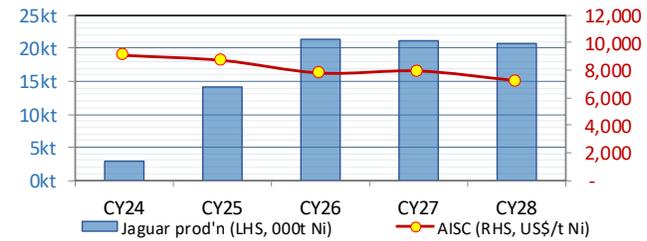
0.6xNAV7% PT: 3.11

Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^					
	6.50/lb	7.50/lb	8.50/lb	9.50/lb	10.50/lb
1xNAV (A\$/sh)	14,326	16,530	18,734	20,938	23,142
9.0% discount	1.60	2.58	3.57	4.57	5.57
7.0% discount	1.79	2.85	3.90	4.97	6.04
5.0% discount	2.01	3.14	4.28	5.42	6.56

Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^					
	6.50/lb	7.50/lb	8.50/lb	9.50/lb	10.50/lb
1xNAV (A\$/sh)	16,535	18,734	20,938	23,142	25,346
9.0% discount	2.58	3.57	4.57	5.57	6.57
7.0% discount	2.85	3.90	4.97	6.04	7.10
5.0% discount	3.14	4.28	5.42	6.56	7.71

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)	8,396	8,014	7,065	7,196	6,278
AISC cost (US\$/t Ni)	9,122	8,739	7,788	7,943	7,212

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 0.76%
Inferred	22.2	1.06%	UG:	8.5 1.01%
	108.0	0.99%	Total	45.1 0.81%

Funding: uses	Funding: sources
Capex (A\$m)	Cash at Oct 2022 47.0
Drilling/FS cost (A\$m)	SCPe debt (A\$m) 249.4
Working cap >DFS (A\$m)	SCPe 0.5NAV equity (A\$m) 155.0
G&A and fin. cost (A\$m)	Total sources (A\$m) 451.4
Total uses: group (A\$m)	Drilling / buffer (A\$m) 4.2

Share data (m)	Basic	FD	FF	FF FD	
Shares (m)	427.1	436.6	496.7		
Ratio analysis	CY20A	CY21A	CY22E	CY23E	CY24E
Shares out (m)	325.9	329.5	427.1	496.7	496.7
EPS (Ac/sh)	-	-	-	-	2.5
CFPS before w/c (A\$/sh)	-	-	-	-	-
EV (A\$m)	318.1	337.7	401.4	360.3	684.4
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	41.3x
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	16.8x

Income statement	CY20A	CY21A	CY22E	CY23E	CY24E
Revenue (A\$m)	0.5	-	-	-	79.7
COGS (A\$m)	-	-	-	-	35.0
Gross profit (A\$m)	0.5	-	-	-	44.7
G&A (A\$m)	2.9	2.7	3.6	4.0	4.0
Exploration (A\$m)	7.3	12.9	30.7	4.0	-
Finance costs (A\$m)	0.1	-	-	-	17.5
Tax (A\$m)	-	-	(0.3)	-	6.8
Other (A\$m)	3.6	0.7	(0.7)	(0.2)	3.9
Net income (A\$m)	(13.3)	(16.3)	(33.3)	(7.7)	12.6

Cash flow statement	CY20A	CY21A	CY22E	CY23E	CY24E
EBITDA (A\$m)	(11.5)	(16.4)	(34.3)	(8.0)	40.7
Add share based (A\$m)	0.5	0.8	-	-	-
Net change wkg cap (A\$m)	(1.6)	-	(3.2)	5.0	22.0
Cash flow ops (A\$m)	(5.3)	(15.5)	(30.1)	(12.7)	(5.1)
PP&E - build + sust. (A\$m)	(1.2)	5.8	5.4	65.0	319.1
PP&E - expl'n (A\$m)	-	-	-	-	-
Cash flow inv. (A\$m)	1.2	(5.8)	(5.4)	(65.0)	(319.1)
Share issue (A\$m)	24.8	5.5	72.7	191.9	-
Debt draw (repay) (A\$m)	-	-	-	-	249.4
Cash flow fin. (A\$m)	24.8	5.5	72.7	191.9	249.4
Net change in cash (A\$m)	19.5	(16.0)	37.1	114.2	(74.8)

Balance sheet	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (A\$m)	24.1	8.3	47.1	161.3	86.5
Acc rec. + invet. (A\$m)	0.2	0.2	0.7	0.0	33.5
PP&E & expl'n (A\$m)	9.5	15.3	16.4	81.4	396.2
Total assets (A\$m)	33.9	23.8	64.2	242.7	516.2
Debt (A\$m)	-	-	-	-	249.4
Accounts payable (A\$m)	1.9	1.9	5.7	-	11.5
Others (A\$m)	24.3	8.5	47.8	161.3	120.0
Total liabilities (A\$m)	7.7	7.7	10.2	4.5	265.4
Shareholders' equity (A\$m)	155.9	162.2	236.3	428.2	428.2
Reserves (A\$m)	(8.3)	(8.3)	(6.8)	(6.8)	(6.8)
Retained earnings (A\$m)	(121.5)	(137.8)	(175.5)	(183.2)	(170.6)
Liabilities + equity (A\$m)	33.9	23.8	64.2	242.7	516.2

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HOLD:	1
SELL:	0
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TENDER:	0
NOT RATED:	0
TOTAL	53

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