

Ticker: CTM AU

1Q23 Cash: A\$23m

Project: Jaguar

Market cap: A\$312

Price: A\$0.73/sh

Country: Brazil

REC. (unc): BUY

TARGET (unc): A\$3.10/sh

RISK RATING (unc): HIGH

Our main takeaway from today's met results is the verification that Jaguar can produce a high-quality battery grade Ni sulphate product that achieved and exceeded industry specification for nickel sulphate product, with key impurities well below the targets. While low risk in our view, this validates the company's choice of going to POX, which only works where there is cheap electricity, abundant water and limestone, and low-cost labour (ie not northern Australia), capturing ~25% more revenue than float-concentrate peers. While Vale retains off-take rights, that was originally slated for concentrate, thus sulphate sales may open the door to alternate offtake discussions. To put that into perspective, yesterday Ford sealed new battery-material sourcing agreements with Albemarle, SQM and Nemaska Lithium, highlighting the importance of lithium and nickel specifically. Given the scarcity in long-life and low-carbon intensive Ni project globally, we would expect to see an increasing interest for offtake discussions for Jaguar's products. For now, **we maintain our BUY rating and our A\$3.10/sh PT based on 0.6xNAV_{7%-9.50} on 45Mt / 364kt Ni inventory.** Looking ahead, DFS and reserve lift, permitting, resource growth potential from regional drilling and now a potential off-take agreement, are the main value driving catalysts ahead for the next 6 month-period.

Table 1. (A) Nickel sulphate spec with full assays and (B) sulphate produced

	Element	Measure	Target Specification	Assay Result
Nickel	Ni	%	22.0 - 22.3	>22.2
Cobalt	Co	ppm	10 - 20	0.6
Copper	Co	ppm	5 - 10	0.1
Zinc	Zn	ppm	5 - 10	2.7
Iron	Fe	ppm	5 - 10	4.4
Manganese	Mn	ppm	10 - 20	0.3
Calcium	Ca	ppm	10 - 20	2.7
Magnesium	Mg	ppm	10 - 50	2.9
Potassium	K	ppm	10 - 100	1.0
Sodium	Na	ppm	10 - 100	6.4



Source: Centaurus

Pilot plant produced high-quality battery grade Ni Sulphate ahead of DFS and off-take discussions

After releasing preliminary POX test work indicating successful production of nickel sulphate, and discrete cobalt hydroxide and zinc hydroxide, today the company released assay results of these products. Assays confirmed production of battery-grade nickel sulphate final product at >22.2% nickel, with major impurities below the low-end industry specifications threshold. Zinc and cobalt hydroxide assays are scheduled shortly, and will feed into the upcoming DFS / FEED, and be used for marketing and strategic discussions with off-take partners.

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. 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

- 2H23: reserves/DFS

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

Research

Brock Salier (London) m +44 7400 666 913 bsalier@scp-rf.com

Eleanor Magdzinski (Toronto) m +1 705 669 7456 emagdzinski@scp-rf.com

Konstantinos Kormpis (Toronto) m +1 778 957 3623 kkormpis@scp-rf.com

Ticker: CTM AU	Price / mkt cap: A73c/sh / A\$312m	P/NAV today: 0.15x	Country: Brazil
Author: B Salier/E Magdzinski	Rec/0.6xNAV7% PT BUY, A310c/sh	1xNAV₂₀₂₃ FF FD: A\$4.83c/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)	1,714	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	
1XNAV A\$ @ 1Q23	2,184			4.99	

*Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.15x

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

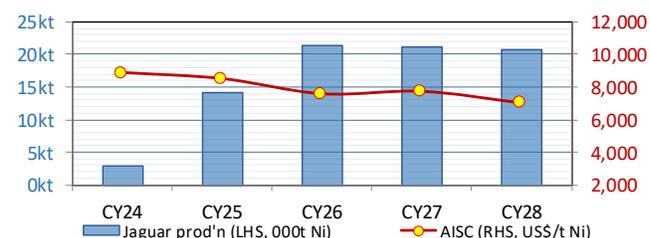
SOTP company valuation^	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27
Jaguar NPV	1,714	1,966	2,324	2,259	2,108
Resources ex reserve	445	445	445	445	445
Central G&A & fin costs	(71)	(67)	(45)	(25)	(11)
Net cash prior quarter	23.0	83.4	(147.8)	40.5	312.7
Cash from ITM options	1.5	1.5	1.5	1.5	1.5
NAV (A\$m)	2,113	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
0.6xNAV7% PT:			3.09		

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 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 1Q23 23.0
Drilling/FS cost (A\$m)	SCPe debt (A\$m) 242.9
Working cap >DFS (A\$m)	SCPe 0.5NAV equity (A\$m) 155.0
G&A and fin. cost (A\$m)	Total sources (A\$m) 421.0
Total uses: group (A\$m)	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)	213.8	232.2	277.7	227.5	543.4
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	34.8x
P/C (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	14.3x

Income statement	CY20A	CY21A	CY22E	CY23E	CY24E
Revenue (A\$m)	0.5	-	-	-	77.6
COGS (A\$m)	-	-	-	-	34.1
Gross profit (A\$m)	0.5	-	-	-	43.5
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
Net income (A\$m)	(13.3)	(16.3)	(40.2)	(14.3)	10.5

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
Cash flow ops (A\$m)	(5.3)	(15.5)	(38.7)	(17.5)	(6.7)
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	-
Cash flow inv. (A\$m)	1.2	(5.8)	(6.9)	(66.2)	(309.1)
Share issue (A\$m)	24.8	5.5	72.7	186.9	-
Debt draw (repay) (A\$m)	-	-	-	-	242.9
Cash flow fin. (A\$m)	24.8	5.5	72.7	186.9	242.9
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
Total assets (A\$m)	33.9	23.8	57.4	225.5	490.1
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)
Liabilities + equity (A\$m)	33.9	23.8	57.4	225.4	490.0

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Summary of Recommendations as of May 2023	
BUY:	54
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	1
NOT RATED:	0
TOTAL	57

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