

Ticker: CTM AU **1Q23 Cash:** A\$23m **Project:** Jaguar
Market cap: A\$381m **Price:** A\$0.89/sh **Country:** Brazil
REC. (unc): BUY **TARGET (unc):** A\$2.30/sh **RISK RATING (unc):** HIGH

Today's news that Centaurus, not Vale, now have 100% control of their own offtake comes as a complete surprise and is a substantial win in our view as it opens the door to both self-build financing and an increased M&A universe. Prior concentrate-royalties totalled 4.55% (Vale + government + BNDES), which were assumed to fall to 3.59% for sulphate (tba, lower royalty as finished product expected). Today's update takes this ~4.8% for sulphate, another win against the 5% we conservatively modelled in our recent BFS preview, a minor win. This places Centaurus as one of the few high-grade nickel sulphide developers retaining 100% of their offtake right after the likes of Tesla retain 75kt / 52% of Talon-Tamarack, BHP retain 60% of their Tanzania project, Glencore-Stellantis retain the offtake for Atlantic Nickel - Santa Rita (recent Appian sale), while Australian peers remaining at the whim of BHP should they wish to use BHP's concentrator. The strategic value is exemplified by the US\$200m equity that Glencore / Stellantis contributed to Atlantic Nickel in exchange for offtake, with a US\$100m nickel-prepay from Volkswagen on top of that as part of the Appian sale announced last week. In our view, that deal demonstrates that the upside from selling offtake or pre-payments is actually higher than the iterative capex of POX (SCPe +US\$250m for Jaguar), further supporting the low GHG sulphate pathway chosen here. As such, **we maintain our BUY rating and our A\$2.30/sh PT based on 0.5x_{7%-9.50} for a 55Mt ~ 0.75% OP inventory producing 20ktpa over 16-years. Ahead of DFS, permits and early-works / FEED coming in the next 12M, we see the cyclically low share price for a demonstrably world-class asset fully exposed to the EV thematic, and now with an open playing field of offtakers and M&A interest, as a top pick in our space.**

Table 1. Updated peer comparison showing payable-recoverable grade, and EV metrics on that

	Mincor	Lunnon	Talon	Widgie	Archer	Centaur.	Magna	Posid.	Prem. Ni	SPC	Chalice	Bravo	FPX	Aston	Can. Ni
Project	Kambalda	KNP	Tamarack	Mt Edw.	Grasset	Jaguar	hake/DeiBlack SwSelb/SelkLocker.	E. Julimar	Luanga	Decar	Edleston	Crawford			
Location	W.Aus.	W.Aus.	W.Aus.	W.Aus.	QC, CA	Goias, BFON, CA	W.Aus.	Botsw.	ON, CA	W.Aus.	Brazil	BC, CA	ON, CA	ON, CA	ON, CA
OP/UG	UG	UG	UG	UG	UG	OP/UG	OP/UG	OP/UG	OP/UG	OP	OP/UG	OP	OP	OP	OP
M&I&Inf (kt NiEq)	224	89	182	175	72	1,049	670	233	712	150	3,004	672	4,548	2,993	6,370
M&I&Inf grade (% NiEq)	3.78%	3.10%	1.78%	1.60%	1.26%	0.97%	1.21%	0.81%	0.65%	0.55%	0.54%	0.47%	0.21%	0.29%	0.30%
	Undergrounds						Open pits								
M&I&Inf (% NiEq paybl / recvb'l)	2.42%	2.10%	1.20%	0.87%	0.75%	0.70%	0.66%	0.39%	0.36%	0.33%	0.31%	0.22%	0.17%	0.15%	0.10%
P&P / inventory (kt Ni)	84	18	86	10		364	39	44					1,819		2,258
P&P / inventory (% Ni attri.)	2.83%	2.86%	1.34%	1.85%		0.81%	0.33%	0.90%					0.12%		0.25%
P&P / invnty (% Ni paybl / recvb'l)	1.81%	1.94%	0.90%	1.01%		0.58%	0.18%	0.42%					0.10%		0.08%
EV / P&P - inventory (%)	45.1%	46.5%	15.7%	31.2%		4.0%	16.1%	18.2%					0.3%		0.8%

Source: Company data, SCP; FD incl. ITM shares as at June 8, 2023. Notes: 60% TLO ownership; FPX reserve grade in %DTR Ni with davis tube recoveries; SCP, Premium Nickel and Bravo based on historic MRE; Magna MRE incl. Denison; Archer resources on Grasset only (excl. Sudbury Projects) with assumed rec. and pay; CNC payability calculated from PEA data; Lunnon rec. based on Mincor; Premium rec. based on Selkirk, peer avg. pay; SPC rec and payable based on First Nickel Lockerby; Chalice rec. based on March 27 blended with 100%

Game on as Centaurus becomes one of few Ni developers globally with 100% unsold offtake

Centaurus has acquired 100% of offtake rights for all Jaguar nickel products from Vale in exchange for an increase in Vale's nickel sulphate (+1.2% to 1.75% total) and nickel concentrate (+1.25% to 2.00% total) net operating revenue royalties. This extinguishes all existing Vale offtake rights and gives Centaurus full control and optionality over the sale and marketing of Jaguar's low-greenhouse gas emission sulphate product.

Table 2. Old vs. new Jaguar project royalties for concentrate and sulphate products

Jaguar Project Royalties	Gov't	Vale (old)	BNDES	Vale (new)	Total (old)	Total (new)
Ni concentrate	2.00%	0.75%	+1.80%	+1.25%	4.55%	5.80%
CTM assumed sulphate reduction (%)	-20%	27%*	-20%			
Ni sulphate	1.60%	0.55%	+1.44%	+1.20%	3.59%	4.79%

Source: SCP; *implied by 1.75% Vale total in today's release

Why we like Centaurus

1. Only >1Mt NiEq metal, <\$500m capex, pitable nickel sulphide junior globally
2. Only high-grade nickel sulphide developer retaining 100% of its offtake rights
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

- Year-end 2023: DFS
- 2023: step-out / extensional and Jaguar Deeps drilling
- 2023: greenfields regional exploration drilling
- 2024: Mining license granted

Research

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Ticker: CTM AU		Price / mkt cap:		A89c/sh / A\$381m		P/NAV today:		0.20x		Country: Brazil						
Author: B Salier/E Magdzinski		Rec/0.5xNAV7% PT:		BUY, A230c/sh		1xNAV ₂₀₂₃ FF FD:		A\$4.14c/sh		Asset: Jaguar						
Commodity price		CY20A	CY21A	CY22E	CY23E	CY24E	Resource/Inventory		Mt	NI Eq %	Mt	NI %				
Ni price (US\$/t)		20,944	20,944	20,944	20,944	20,944	4Q22 JORC				SCP inventory					
Ni price (US\$/t, payable)		20,546	20,546	20,546	20,546	20,546	M&I	85.7	1.05%	OP:	55.0	0.76%				
1xNAV project valuation*		A\$/m		o/ship		NAVx		A\$/sh		Inferred	22.2	1.06%	UG:	-	-	
Jaguar OP NPV (build start)		1,693		100%	1.0x	3.86			108.0		0.99%	Total	55.0	0.76%		
Jaguar UG, 50% risked		144		100%	1.0x	0.33										
Expln & resources ex reserve @ 1% insitu		137		100%	1.0x	0.31										
Cash at 1Q23		23.0		100%	1.0x	0.05										
Cash from ITM options		0.9		100%	1.0x	0.00										
1XNAV A\$ @ 1Q23		1,998				4.56										
*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	Share data (m)		Basic	FD	FF FD					
Group NAV (A\$m)		16,535	18,739	20,944	23,149	25,353	Shares (m)		428.6	438.4	667.1					
9.0% discount		960	1,340	1,719	2,099	2,478	Ratio analysis		CY20A	CY21A	CY22E	CY23E	CY24E			
7.0% discount		1,135	1,566	1,998	2,429	2,861	Shares out (m)		325.9	329.5	427.1	428.6	667.1			
5.0% discount		1,348	1,843	2,338	2,834	3,329	EPS (Ac/sh)		-	-	-	-	-			
Ungeared project IRR:		0%	0%	0%	0%	0%	CFPS before w/c (A\$/sh)		-	-	-	-	-			
Group NAV (A\$/sh)		16,535	18,739	20,944	23,149	25,353	EV (A\$m)		265.9	285.0	346.1	351.7	522.8			
9.0% discount		2.19	3.06	3.92	4.79	5.65	FCF yield (%)		-	-	-	-	-			
7.0% discount		2.59	3.57	4.56	5.54	6.53	PER (x)		-	-	-	-	-			
5.0% discount		3.07	4.20	5.33	6.46	7.59	P/CF (x)		-	-	-	-	-			
*Project level NPV, exl finance costs and central G&A, discounted to build start								EV/EBITDA (x)		-	-	-	-	-		
SOTP company valuation^		Sep-23	Sep-24	Sep-25	Sep-26	Sep-27	Income statement		CY20A	CY21A	CY22E	CY23E	CY24E			
Jaguar NPV		1,599	1,778	2,264	2,667	2,562	Revenue (A\$m)		0.5	-	-	-	-			
Resources ex reserve + nom UG		281	281	281	281	281	COGS (A\$m)		-	-	-	-	-			
Central G&A & fin costs		(80)	(79)	(75)	(46)	(14)	Gross profit (A\$m)		0.5	-	-	-	-			
Net cash prior quarter		14.8	223.2	(109.9)	(379.0)	(150.1)	G&A (A\$m)		2.9	2.7	4.1	6.1	5.6			
Cash from ITM options		0.9	0.9	0.9	0.9	0.9	Exploration (A\$m)		7.3	12.9	37.6	19.2	3.5			
NAV (A\$m)		1,816	2,204	2,362	2,525	2,680	Finance costs (A\$m)		0.1	-	-	-	-			
FD share count (m)		438	667	667	667	667	Tax (A\$m)		-	-	(0.3)	-	-			
1xNAV7%/sh FF FD (A\$/sh)		4.14	3.30	3.54	3.78	4.02	Other (A\$m)		3.6	0.7	(1.3)	(0.4)	(0.2)			
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	Net income (A\$m)		(13.3)	(16.3)	(40.2)	(25.0)	(8.9)			
Group NAV (A\$m)		16,535	18,739	20,944	23,149	25,353	Cash flow statement		CY20A	CY21A	CY22E	CY23E	CY24E			
9.0% discount		1,248	1,677	2,106	2,535	2,963	EBITDA (A\$m)		(11.5)	(16.4)	(41.7)	(25.4)	(9.1)			
7.0% discount		1,404	1,883	2,362	2,840	3,319	Add share based (A\$m)		0.5	0.8	-	-	-			
5.0% discount		1,593	2,132	2,671	3,210	3,749	Net change wkg cap (A\$m)		(1.6)	-	(1.5)	3.2	-			
Exit value: 1xNAV/sh company @ 2024 first production (A\$, geared)^		16,535	18,739	20,944	23,149	25,353	Cash flow ops (A\$m)		(5.3)	(15.5)	(38.7)	(28.2)	(8.9)			
1xNAV (A\$/sh)		1.87	2.51	3.16	3.80	4.44	PP&E - build + sust. (A\$m)		(1.2)	5.8	6.1	1.0	200.0			
9.0% discount		2.11	2.82	3.54	4.26	4.97	PP&E - expl'n (A\$m)		-	-	0.4	0.3	-			
7.0% discount		2.39	3.20	4.00	4.81	5.62	Cash flow inv. (A\$m)		1.2	(5.8)	(6.9)	(1.2)	(200.0)			
5.0% discount		2.39	3.20	4.00	4.81	5.62	Share issue (A\$m)		24.8	5.5	72.7	25.0	250.0			
Production (Y1 from 3Q20)		CY24	CY25	CY26	CY27	CY28	Debt draw (repay) (A\$m)		-	-	-	-	-			
Jaguar production (000kt Ni)		-	2.9	19.0	21.3	21.1	Cash flow fin. (A\$m)		24.8	5.5	72.7	25.0	250.0			
C1 cost (US\$/t Ni)		-	6,269	7,655	7,998	9,440	Net change in cash (A\$m)		19.5	(16.0)	27.3	(4.3)	41.1			
AISC cost (US\$/t Ni)		-	9,490	9,233	9,517	10,958	Balance sheet		CY20A	CY21A	CY22E	CY23E	CY24E			
AISC = C1 + sustaining capex + central G&A, C3 = AISC + depreciation								Cash (A\$m)		24.1	8.3	34.0	29.8	70.9		
25kt								Acc rec. + invet. (A\$m)		0.2	0.2	1.4	0.0	0.0		
20kt								PP&E & expl'n (A\$m)		9.5	15.3	21.9	23.0	223.0		
15kt								Total assets (A\$m)		33.9	23.8	57.4	52.9	294.0		
10kt								Debt (A\$m)		-	-	-	-	-		
5kt								Accounts payable (A\$m)		1.9	1.9	4.6	-	-		
0kt								Others (A\$m)		24.3	8.5	35.4	29.8	70.9		
CY24								Total liabilities (A\$m)		7.7	7.7	8.1	3.5	3.5		
CY25								Shareholders' equity (A\$m)		155.9	162.2	236.3	261.3	511.3		
CY26								Reserves (A\$m)		(8.3)	(8.3)	(5.8)	(5.8)	(5.8)		
CY27								Retained earnings (A\$m)		(121.5)	(137.8)	(181.1)	(206.1)	(215.0)		
CY28								Liabilities + equity (A\$m)		33.9	23.8	57.4	52.9	294.0		

Source: SCP estimates

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Summary of Recommendations as of June 2023	
BUY:	55
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	57

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