

# Centaurus Metals Limited

Base Metals - Developer/Explorer

Australian Equity Research  
21 December 2021

**Rating**  
**SPECULATIVE BUY**  
unchanged

**Price Target**  
**A\$1.70** ↑  
from A\$1.35

**CTM-ASX**

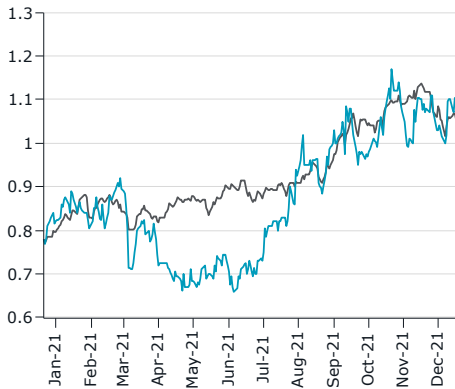
**Price**  
**A\$1.16**

**Market Data**

|                           |             |
|---------------------------|-------------|
| 52-Week Range (A\$) :     | 0.63 - 1.18 |
| Avg Daily Vol (000s) :    | 137         |
| Market Cap (A\$M) :       | 415.6       |
| Shares Out. (M) :         | 358.3       |
| Dividend /Shr (A\$) :     | 0.00        |
| Dividend Yield (%) :      | 0.0         |
| Net Debt (Cash) (AUcM) :  | 31.4        |
| Enterprise Value (A\$M) : | 389         |
| Cash (AUcM) :             | 1.2         |
| NAV /Shr :                | 1.70        |
| NAV /Shr (5%) (A\$) :     | 3.21        |
| P/NAV (x) :               | 0.69        |

| FYE Dec       | 2020A  | 2021E  | 2022E  | 2023E  |
|---------------|--------|--------|--------|--------|
| EBITDA (A\$M) | (8.3)  | (14.3) | (10.5) | (6.0)  |
| EV/EBITDA (x) | (46.9) | (28.2) | (42.3) | (54.9) |

|                          |   |   |   |   |
|--------------------------|---|---|---|---|
| Nickel Production (000t) | 0 | 0 | 0 | 0 |
| C1 Cash Cost (US\$ /lb)  | - | - | - | - |



Legend: CTM (blue line), S&P/ASX Emerging Companies (rebased) (grey line)  
Source: FactSet

Priced as of close of business 20 December 2021

Centaurus Metals Limited (ASX:CTM) is a nickel sulphide focussed developer aiming to bring the 100%-owned Jaguar Project into production in 2024. The project is located in the world-class Carajás Mineral Province in Brazil. Scoping Studies for both an upstream mining operation to produce nickel sulphide in concentrate, and a downstream value-add scenario to produce +20ktpa of nickel in sulphate have been completed.

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## Resource increase to underpin larger scale operation

Last week, Centaurus Metals (CTM-ASX) announced a 30% increase in contained nickel metal for the Jaguar Nickel Project resource in Brazil. The new resource stands at **80.6Mt @ 0.91% Ni for 730.7kt** of contained nickel (previously 562.6kt of contained grading 0.96% Ni). More than 500kt of nickel is within 200m of surface with 98% classified as fresh sulphides. The Indicated material in resource has grown by an impressive 76% to 397kt of contained Ni grading 0.92% Ni (previously 225.8kt @ 1.12% Ni). The resource also contains minor quantities of copper, cobalt and zinc. The cut-off grade for open pit material has remained 0.3% Ni, while the cut-off for the deeper underground material has been lowered from 0.7% Ni to 1% Ni and accounts for 32% of the resource.

**Globally significant project scale:** As per Figures 2 & 3 overleaf, the increased resource sees the Jaguar deposits rank as the world's 11th largest, undeveloped nickel sulphide resource in terms of contained nickel tonnes (we have not assessed by-product credits such as Cu, Co or PGEs) and third largest on the ASX behind BHP's Yakabindie and OZ Minerals' West Musgrave. It is also in the world's top 25, and top 15 on the ASX in terms of grade. Jaguar is now very comparable both in terms of tonnes and grade to Western Areas' Cosmos (Odysseus) development (67Mt @ 1% Ni for 656kt Ni), which underpinned IGO's A\$1.1bn acquisition offer for WSA last week.

**What does this increased resource do to project economics:** An opportunity now exists for CTM to review project scale in terms of annual throughput versus mine life extensions. Another resource update is expected in 2H22 and will inform DFS outcomes late in 2022. Using a similar conversion rate (~75%) for resources to mining inventory as per CTM's May'21 Scoping Study (SS) implies ~60Mt of resources could sustain a future mine plan, up from 45Mt in the Scoping Study. Keeping the same 2.7Mtpa throughput as the SS, mine life grows to +17 years. Conversely, maintaining the 13-year mine life outlined in the SS, throughput could lift to 3.6Mt based on the current resources.

We have split the difference and now model a 3Mtpa operation for 15 years at Jaguar. We have added an additional US\$50m of preproduction capex to that outlined in the SS and add a proportional amount of sustaining capital to our base case. The result sees a 9% increase in nickel production to 22ktpa in our model. We have not adjusted operating costs, but given economies of scale offered by a 3Mtpa versus a 2.7Mtpa plant, these could reduce.

At present, Jaguar's 13-year mine life is class-leading among the ASX nickel producer/developer peers and its ~20ktpa of contained nickel production ranks it second behind IGO's Nova Mine in terms of scale among the hardrock, non-NPI players on the ASX. We are excited by the prospects of further resource growth in 2022 and the potential positive impacts on project economics.

**Recap of the Jaguar Nickel Project:** We initiated coverage of CTM in July, which in late May 2021 released a Value-Add Scoping Study for Jaguar which contemplates developing a large, 13+ year mine and plant to produce ~20ktpa of a premium nickel sulphate product (metal as opposed to concentrate, which could deliver 56% more margin compared to a mine only scenario). The study builds on a mine-only Base Case Scoping Study released in March 2021. POx will be employed to convert concentrate into nickel metal for an estimated pre-production capex of US\$288m. CTM estimates C1 costs and AISC to be US\$3.29/lb Ni and US\$3.94/lb Ni, respectively.

**Valuation and recommendation:** We maintain our SPECULATIVE BUY and have increased our price target to \$1.70 (from \$1.35) having increased throughput, capex and mine life in our model based on the recent resource increase. Our NPV12% valuation is on a fully diluted basis and remains risked 85% to account for the early stage nature of the published Scoping Studies.

Figure 1: Financial summary

| Centaurus Metals Ltd   |             | ASX:CTM      |              |               | Rating:       | SPEC BUY |
|--|-------------|--------------|--------------|---------------|---------------|----------|
| Analyst :  | Paul Howard |              |              | Target Price: | A\$1.70       |          |
| Date:  | 20/12/2021  |              |              |               |               |          |
| Year End:  | December    |              |              |               |               |          |
| Market Information   |             |              |              |               |               |          |
| Share Price  | A\$         | 1.16         |              |               |               |          |
| Market Capitalisation  | A\$m        | 415.6        |              |               |               |          |
| 12 Month Hi  | A\$         | 1.18         |              |               |               |          |
| 12 Month Lo  | A\$         | 0.63         |              |               |               |          |
| Issued Capital   | m           | 358.3        |              |               |               |          |
| Options  | m           | 0.0          |              |               |               |          |
| Fully Diluted  | m           | 358.3        |              |               |               |          |
| Valuation  |             |              |              |               |               |          |
| Jaguar   | NPV @ 12%   | A\$m         | Risk Adj.    | A\$/share     |               |          |
| Exploration & Other assets   |             | 120.0        | 85%          | 1.44          |               |          |
| Corporate  |             | (31.4)       |              | (0.07)        |               |          |
| Cash (est. at end of Q)  |             | 12.0         |              | 0.03          |               |          |
| ITM Options  |             | 1.6          |              | 0.00          |               |          |
| Future Debt  |             | (212.9)      |              | (0.45)        |               |          |
| Future Equity  |             | 227.9        |              | 0.49          |               |          |
| <b>TOTAL NAV</b>   |             | <b>793.1</b> |              | <b>1.69</b>   |               |          |
| Price/NAV  |             |              |              | 0.69x         |               |          |
| Target Price   |             |              |              | 1.70          |               |          |
| Assumptions  |             |              |              |               |               |          |
|  | 2020a       | 2021e        | 2022e        | 2023e         | 2024e         |          |
| Nickel Price (US\$/lb)   | 6.29        | 8.10         | 8.00         | 8.00          | 8.00          |          |
| Cobalt Price (US\$/lb)   | 28.24       | 21.45        | 25.75        | 27.00         | 27.00         |          |
| AUD:USD  | 0.69        | 0.76         | 0.73         | 0.73          | 0.73          |          |
| Sensitivity  |             |              |              |               |               |          |
|  |             |              |              |               |               |          |
| Production Metrics   |             |              |              |               |               |          |
|  | 2020a       | 2021e        | 2022e        | 2023e         | 2024e         |          |
| Jaguar   |             |              |              |               |               |          |
| Nickel (kt)  | 0.00        | 0.00         | 0.00         | 0.00          | 6.5           |          |
| Cash cost (A\$/lb Ni payable)  | 0.00        | 0.00         | 0.00         | 0.00          | 4.51          |          |
| AISC (A\$/lb Ni payable)   | 0.00        | 0.00         | 0.00         | 0.00          | 6.14          |          |
| Resources  |             |              |              |               |               |          |
|  |             | Mt           | Ni (%)       | Ni (kt)       |               |          |
| Jaguar Project   |             |              |              |               |               |          |
| Indicated  |             | 43.4         | 0.92         | 397.0         |               |          |
| Inferred   |             | 37.2         | 0.90         | 333.6         |               |          |
| <b>Total</b>   |             | <b>80.6</b>  | <b>0.91</b>  | <b>730.6</b>  |               |          |
| Mining Inventory (as per Scoping Study)  |             |              |              |               |               |          |
|  |             | Mt           | Ni (%)       | Ni (kt)       |               |          |
| Jaguar Project   |             |              |              |               |               |          |
| Open Pit   |             | 36.55        | 0.76         | 276.3         |               |          |
| Underground  |             | 8.5          | 1.01         | 85.4          |               |          |
| <b>Total</b>   |             | <b>45.0</b>  | <b>0.81</b>  | <b>361.7</b>  |               |          |
| Iron Ore Assets  |             |              |              |               |               |          |
| Reserves   |             | Mt           | Fe (%)       | Fe (Mt)       |               |          |
| Jambreiro  |             |              |              |               |               |          |
| Proved   |             | 35.4         | 25.8%        | 9.1           |               |          |
| Probable   |             | 13.1         | 27.2%        | 3.6           |               |          |
| <b>Total</b>   |             | <b>48.5</b>  | <b>26.2%</b> | <b>12.7</b>   |               |          |
| Resources  |             |              |              |               |               |          |
|  |             | Mt           | Fe (%)       | Fe (Mt)       |               |          |
| Jambreiro, Canavial, Passabém  |             |              |              |               |               |          |
| <b>Total</b>   |             | <b>193.7</b> | <b>29.0%</b> | <b>56.2</b>   |               |          |
| Company Description  |             |              |              |               |               |          |
| Centaurus Metals Limited (ASX:CTM) is a nickel sulphide focussed developer aiming to bring the 100%-owned Jaguar Project into production in 2024. The project is located in the world-class Carajás Mineral Province in Brazil. Scoping Studies for both an upstream mining operation to produce nickel sulphide in concentrate, and a downstream value-add scenario to produce +20ktpa of nickel in sulphate have been completed. |             |              |              |               |               |          |
| Profit & Loss (A\$m)   |             |              |              |               |               |          |
|  | 2020a       | 2021e        | 2022e        | 2023e         | 2024e         |          |
| Revenue  | 0.0         | 0.0          | 0.0          | 0.0           | 167.6         |          |
| Other Income   | 0.1         | 0.0          | 0.0          | 0.0           | 0.0           |          |
| Operating Costs  | 0.0         | 0.0          | 0.0          | 0.0           | -37.8         |          |
| Exploration expensed/written off   | -6.9        | -11.5        | -6.3         | -0.4          | -0.6          |          |
| Corporate/Other expenses   | -1.6        | -2.8         | -4.2         | -5.6          | -6.8          |          |
| <b>EBITDA</b>  | <b>-8.3</b> | <b>-14.3</b> | <b>-10.5</b> | <b>-6.0</b>   | <b>122.4</b>  |          |
| Dep'n  | 0.0         | 0.0          | 0.0          | 0.0           | -23.1         |          |
| Net Interest   | 0.3         | 0.6          | -0.3         | -5.8          | -4.4          |          |
| Other  | 0.0         | 0.0          | 0.0          | 0.0           | 0.0           |          |
| Tax  | 2.7         | 4.7          | 3.7          | 4.0           | -14.5         |          |
| NPAT (reported)  | -5.3        | -9.0         | -7.1         | -7.8          | 80.4          |          |
| Abnormals  | 0.0         | 0.0          | 0.0          | 0.0           | 0.0           |          |
| <b>NPAT</b>  | <b>-5.3</b> | <b>-9.0</b>  | <b>-7.1</b>  | <b>-7.8</b>   | <b>80.4</b>   |          |
| EBITDA Margin  | nm          | nm           | nm           | nm            | 73%           |          |
| EV/EBITDA  | -46.9x      | -28.2x       | nm           | nm            | 3.4x          |          |
| EPS  | -\$0.01     | -\$0.025     | -\$0.020     | -\$0.022      | \$0.224       |          |
| EPS Growth   | nm          | 70%          | -24%         | 4%            | -985%         |          |
| PER  | -78.2x      | -46.0x       | -58.2x       | -53.3x        | 5.2x          |          |
| Dividend Per Share   | \$0.00      | \$0.00       | \$0.00       | \$0.00        | \$0.00        |          |
| Dividend Yield   | 0.0%        | 0.0%         | 0.0%         | 0.0%          | 0.0%          |          |
| Cash Flow (A\$m)   |             |              |              |               |               |          |
|  | 2020a       | 2021e        | 2022e        | 2023e         | 2024e         |          |
| Cash Receipts  | 0.1         | 0.0          | 0.0          | 0.0           | 167.6         |          |
| Cash paid to suppliers & employee:   | -1.6        | -2.8         | -4.2         | -5.6          | -44.6         |          |
| Tax Paid   | 0.0         | 0.0          | 0.0          | 0.0           | -14.5         |          |
| Exploration and growth   | -6.9        | -11.4        | -6.2         | -0.4          | -0.6          |          |
| +/- Working cap change   | 0.0         | 0.0          | 0.0          | 0.0           | 0.0           |          |
| <b>Operating Cash Flow</b>   | <b>-8.3</b> | <b>-14.2</b> | <b>-10.4</b> | <b>-6.0</b>   | <b>108.0</b>  |          |
| Exploration evaluation   | 0.0         | 0.0          | -0.8         | -1.7          | -2.5          |          |
| Capex  | 0.0         | 0.0          | -42.8        | -86.2         | -357.4        |          |
| Other  | -1.2        | -3.6         | 0.0          | 0.0           | 0.0           |          |
| <b>Investing Cash Flow</b>   | <b>-1.2</b> | <b>-3.6</b>  | <b>-43.6</b> | <b>-87.9</b>  | <b>-359.9</b> |          |
| Debt Drawdown (repayment)  | 0.0         | 0.0          | 80.0         | 132.9         | 0.0           |          |
| Share capital  | 24.8        | 5.5          | 15.0         | 212.9         | 0.0           |          |
| Dividends  | 0.0         | 0.0          | 0.0          | 0.0           | 0.0           |          |
| Net interest   | 0.2         | 0.3          | -0.3         | -5.8          | -4.4          |          |
| <b>Financing Cash Flow</b>   | <b>25.0</b> | <b>5.8</b>   | <b>94.7</b>  | <b>340.1</b>  | <b>-4.4</b>   |          |
| Opening Cash   | 0.0         | 24.1         | 12.0         | 51.6          | 296.7         |          |
| Increase / (Decrease) in cash  | 15.5        | -12.0        | 40.7         | 246.2         | -256.4        |          |
| FX Impact  | -1.1        | -0.2         | -1.1         | -1.1          | -1.1          |          |
| <b>Closing Cash</b>  | <b>14.4</b> | <b>12.0</b>  | <b>51.6</b>  | <b>296.7</b>  | <b>39.3</b>   |          |
| Op. Cashflow/Share   | -\$0.02     | -\$0.04      | -\$0.03      | -\$0.02       | \$0.30        |          |
| P/CF   | nm          | nm           | nm           | -68.8x        | 3.8x          |          |
| FCF  | nm          | nm           | nm           | nm            | nm            |          |
| EV/FCF   | nm          | nm           | nm           | nm            | nm            |          |
| FCF Yield  | -2%         | -4%          | -13%         | -23%          | -61%          |          |
| Balance Sheet (A\$m)   |             |              |              |               |               |          |
|  | 2020a       | 2021e        | 2022e        | 2023e         | 2024e         |          |
| Cash + S/Term Deposits   | 24.1        | 12.0         | 51.6         | 296.7         | 19.3          |          |
| Other current assets   | 0.2         | 0.0          | 25.7         | 51.7          | 214.5         |          |
| <b>Current Assets</b>  | <b>24.3</b> | <b>12.0</b>  | <b>77.3</b>  | <b>348.4</b>  | <b>233.7</b>  |          |
| Property, Plant & Equip.   | 0.8         | 0.8          | 43.6         | 129.8         | 487.2         |          |
| Exploration & Develop.   | 0.0         | 0.0          | 42.8         | 129.0         | 463.3         |          |
| Other Non-current Assets   | 0.0         | 0.0          | 0.0          | 0.0           | 0.0           |          |
| Payables   | 1.9         | 0.0          | 0.0          | 0.0           | 16.8          |          |
| Short Term Debt  | 2.4         | 0.0          | 0.0          | 0.0           | 100.0         |          |
| Long Term Debt   | 2.7         | 0.0          | 80.0         | 212.9         | -100.0        |          |
| Other Liabilities  | 0.7         | 0.0          | 61.1         | 167.5         | 861.9         |          |
| <b>Net Assets</b>  | <b>26.1</b> | <b>20.6</b>  | <b>30.4</b>  | <b>235.5</b>  | <b>316.0</b>  |          |
| Shareholders Funds   | 155.9       | 161.4        | 176.4        | 389.3         | 389.3         |          |
| Reserves   | -8.3        | -8.3         | -8.3         | -8.3          | -8.3          |          |
| Retained Earnings  | -121.5      | -130.6       | -137.7       | -145.5        | -65.1         |          |
| <b>Total Equity</b>  | <b>26.1</b> | <b>22.5</b>  | <b>30.4</b>  | <b>235.5</b>  | <b>316.0</b>  |          |
| Debt/Equity  | 10%         | 0%           | 263%         | 90%           | -32%          |          |
| Net Debt/EBITDA  | 1.1x        | 0.8x         | -2.7x        | 13.9x         | -0.4x         |          |
| Net Interest Cover   | nm          | nm           | -34.3x       | -1.0x         | 22.5x         |          |
| ROE  | -20%        | -40%         | -23%         | -3%           | 25%           |          |
| ROIC   | -181%       | -1133%       | -6%          | -3%           | 7%            |          |
| Book Value/share   | 0.07        | 0.06         | 0.08         | 0.66          | 0.88          |          |

Source: Company Reports, Canaccord Genuity estimates

Figure 2: Global undeveloped nickel sulphide deposits greater than 0.2% Ni: ordered by Ni% grade

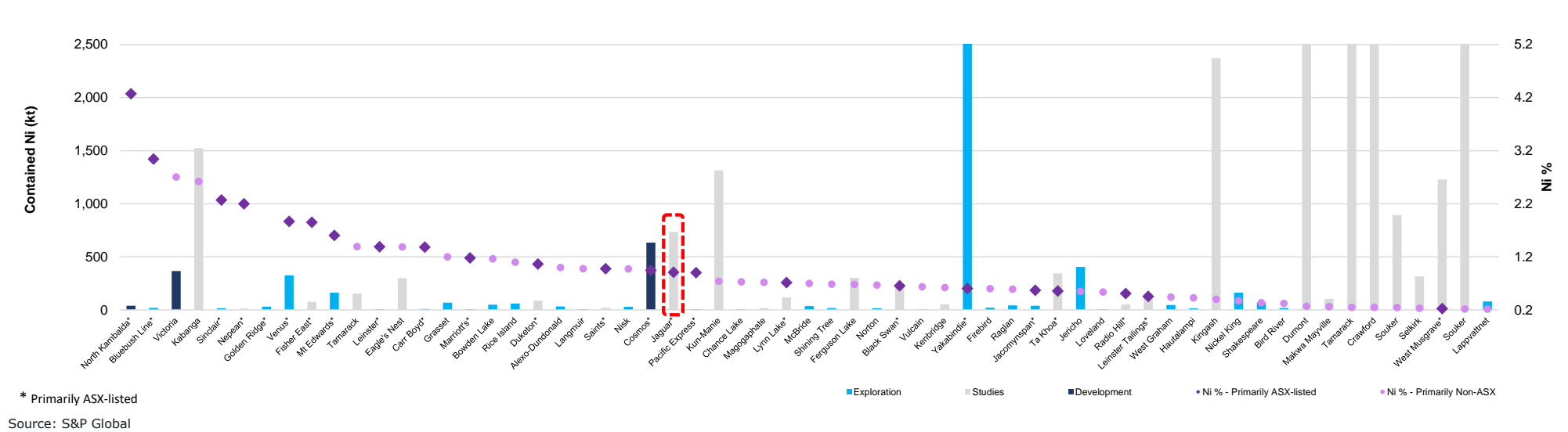


Figure 3: Global undeveloped nickel sulphide deposits greater than 0.2% Ni: ordered by contained nickel (kt)

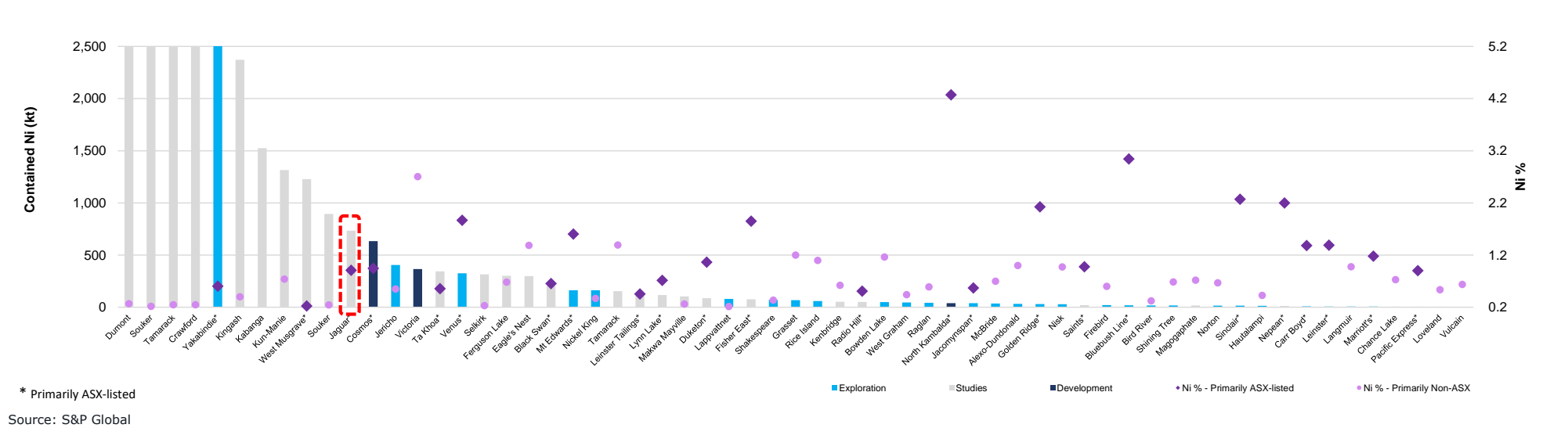


Figure 4: CTM and CGe model assumptions

| cg/Canaccord<br>Genuity   | Units   | CTM Scoping<br>Study March<br>2021 | CTM Value-Add<br>Scoping Study<br>May 2021 | CGe July 2021 | CGe Dec 2021 |
|---|---------|------------------------------------|--|---------------|--------------|
| <b>Assumed mine inventory</b>   | Mt      | 32.8                               | 45.0                                       | 45.0          | 60.5         |
| Avg LOM Nickel grade  | %       | 0.84%                              | 0.80%                                      | 0.81%         | 0.81%        |
| Avg LOM Cobalt grade  | %       | 0.03%                              | 0.03%                                      | 0.03%         | 0.03%        |
| Avg LOM Zinc grade  | %       | 0.4%                               | 0.4%                                       | 0.0%          | 0.0%         |
| Mine Life   | yrs     | 10                                 | 13   | 13.5          | 15.0         |
| <b>Milled</b>   | Mt      | 24.0                               | 33.7                                       | 33.7          | 41.5         |
| Avg LOM Nickel grade  | %       | 1.08%                              | 1.01%                                      | 0.99%         | 0.98%        |
| Avg LOM Cobalt grade  | %       | No provided                        |  | 0%            | 0.03%        |
| Avg LOM Zinc grade  | %       | No provided                        |  |               |              |
| Average annual ore processed  | Mtpa    | 2.4                                | 2.7  | 2.5           | 3.0          |
| <b>Recoveries</b>   |         |                                    |  |               |              |
| Nickel  | %       | 78%                                | 81.5%                                      | 80%           | 80%          |
| Cobalt  | %       | 71%                                | 71%  | 70%           | 70%          |
| Zinc  | %       | No provided                        |  |               |              |
| <b>LOM Recoverable metals in Concentrate/Sulphate/Sulphide</b>        |         |                                    |  |               |              |
| Nickel  | kt      | 203.3                              | 262.1                                      | 267.4         | 324.6        |
| Cobalt  | kt      | 2.8                                | 7.3  | 5.9           | 7.3          |
| Zinc  | kt      |                                    | 80.5                                       | 0             | -            |
| <b>Avg Annual Recoverable metals in Concentrate/Sulphate/Sulphide</b> |         |                                    |  |               |              |
| Nickel  | ktpa    | 20.3                               | 21.0                                       | 19.8          | 21.6         |
| Cobalt  | ktpa    | 0.3                                | 0.6  | 0.4           | 0.5          |
| Zinc  | ktpa    | -                                  | 6.4  | -             | -            |
| <b>Average LOM commodity price</b>                                    |         |                                    |  |               |              |
| Nickel  | US\$/t  | 16,540                             | 16,540                                     | 17,637        | 17,637       |
| Nickel Sulphate   | US\$/t  | N/A                                | 17,632                                     | 18,519        | 18,519       |
| Cobalt  | US\$/t  | No provided                        |  | 65,430        | 65,477       |
| Zinc  | US\$/t  | No provided                        |  | 2,425         | 2,425        |
| <b>Total Revenue</b>  | US\$M   | 2,422                              | 4,530                                      | 5,224         | 5,947        |
|   | A\$M    | 3,229                              | 6,040                                      | 6,721         | 6,721        |
| <b>Total Operating Costs</b>  | US\$M   | 1,377                              | 2,468.8                                    | 2,754         | 3,153.6      |
|   | A\$M    | 1,836.2                            | 3,291.7                                    | 3,671.4       | 3,979.7      |
| Mining - o/p  | US\$/t  | 18.09                              | 19.62                                      | 20.00         | 20.0         |
| Mining - underground  | US\$/t  | 50.54                              | 47.53                                      | 48.00         | 48.0         |
| Processing  | US\$/t  | 11.33                              | 28.02                                      | 28.20         | 28.2         |
| G&A + Logistics   | US\$/t  | 5.68                               | 4.59                                       | 5.00          | 5.0          |
| C1  | US\$/t  | 5,313                              | 7,253                                      | 7,999         | 7,465        |
|   | US\$/lb | 2.41                               | 3.29                                       | 3.63          | 3.39         |
| <b>Royalties</b>  | US\$M   | 110.0                              | 165.0                                      | 214.7         | 463.4        |
|   | A\$M    | 146.7                              | 270.0                                      | 286.2         | 347.6        |
| <b>Total Project capital</b>  | US\$M   | 316.0                              | 501.0                                      | 541.4         | 587.3        |
|   | A\$M    | 421.3                              | 658.0                                      | 721.9         | 783.1        |
| Pre-production capital  | US\$M   | 178.0                              | 288.0                                      | 313.8         | 334          |
| Sustaining capital  | US\$M   | 138.0                              | 213.0                                      | 227.6         | 253          |

Source: Company Reports, Canaccord Genuity estimates

## Appendix: Important Disclosures

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### Investment Recommendation

Date and time of first dissemination: December 20, 2021, 14:29 ET

Date and time of production: December 20, 2021, 04:44 ET

### Target Price / Valuation Methodology:

Centaurus Metals Limited - CTM

Our price target (NPV12%) is on a fully diluted basis and risked 85% to account for early-stage status and jurisdictional location of the project. Our project valuation is based on our interpreted development/production scenario at Jaguar as outlined in the Value-Add Scoping Study and latest resource. Given the early stage of development of the project along with the financing and permitting stages to progress through, we have applied an 85% risk weighting to our project valuation to capture project and financing risks. Our net asset valuation per share is based on a fully financed scenario inclusive of equity dilution and fully drawn project debt.

### Risks to achieving Target Price / Valuation:

Centaurus Metals Limited - CTM

### Financing risks

As an exploration and development company with no material income, CTM is highly reliant on equity and debt markets to fund development of its assets and progress its regional exploration pipeline. Further, we can make no assurances that accessing these markets will be done without further dilution to shareholders.

### Exploration and development risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further mineral resources nor that the company will be able to convert the current Mineral Resource into Ore Reserves. The Scoping Studies completed to date are at a low (+/-40%) level of accuracy and present both upside and downside risk to our valuation.

### Operating risks

If/when in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

### Commodity price and currency fluctuations

As with any development company, CTM is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

### Geopolitical risks

CTM's key asset is located in Brazil, which is considered an emerging market. As such, CTM, through the Jaguar Nickel Sulphide Project, carries a higher degree of economic, political, social, legal and legislative risk. Brazil has a well-established and stable mining industry.

**Distribution of Ratings:**

**Global Stock Ratings (as of 12/20/21)**

| Rating          | Coverage Universe |        | IB Clients |
|-----------------|-------------------|--------|------------|
|                 | #                 | %      | %          |
| Buy             | 660               | 68.75% | 44.85%     |
| Hold            | 140               | 14.58% | 27.14%     |
| Sell            | 9                 | 0.94%  | 33.33%     |
| Speculative Buy | 147               | 15.31% | 59.18%     |
|                 | 960*              | 100.0% |            |

\*Total includes stocks that are Under Review

**Canaccord Genuity Ratings System**

**BUY:** The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

**HOLD:** The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

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**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

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**SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

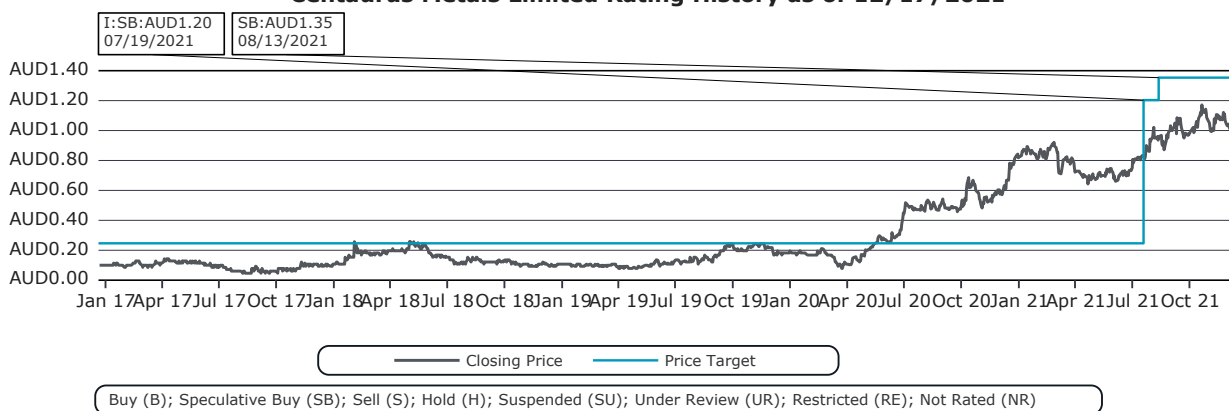
**12-Month Recommendation History (as of date same as the Global Stock Ratings table)**

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