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SPEC BUY

Current Price \$1.09
Valuation \$1.87

Thursday, 25 August 2022

Centaurus Metals (CTM)

Field Visit Notes from Brazil

Analyst | George Ross

Quick Read

Argonaut recently journeyed to Centaurus Metal's Jaguar Nickel Sulphide Project in Brazil. We provide an overview of our site visit including observations and key takeaways. Our trip has reinforced our view that Jaguar is an exceptional nickel sulphide development project backed by quality management in both Australia and Brazil. Drilling/ technical studies are progressing. FID remains on track for Q3 CY2023.

Main Points

Site Visit: CTM has a well-established base of exploration in Tucumã approximately 40km south of the Jaguar project site. This location includes generous core processing facilities and offices for support staff. The Jaguar project site includes two small exploration camps for accommodation of full time and contract staff as required. We visited several deposits and observed the extensive works undertaken for ongoing drilling programs. The scale of deposits and drilling activity is remarkable, with 60,000m of drilling expected to be completed this calendar year. Permitting appears to be progressing well. A newly built drill core sample storage shed capable of holding 250,000m foreshadows the future development that is expected to come at Jaguar.

Project Update: CTM recently published a project update for Jaguar. Ore sorting, comminution and flotation test work results have generated positive outcomes. Over 400kg of sulphide concentrate has been prepared for pilot pressure oxidation test work which is scheduled to begin imminently. Reoptimized pit designs indicate the Jaguar cluster of deposits will ultimately merge to become a single pit extending 3km x 1km.

New Board Appointment: In August CTM announced the appointment of Dr Natalia Streltsova as an independent non-executive Director. Dr Streltsova is a Chemical Engineer of 29 years' experience and has spent over 12 years in various technical and senior executive roles with major mining houses including Vale, BHP Billiton, Western Areas & WMC Resources.

Updated Project Valuation: We have refined our project valuation model to account for progression in feasibility studies. Using a flat US\$17,500/t nickel price, Argonaut's Jaguar model estimates a present day NPV₉ of A\$1,099M. At this nickel price Jaguar generates annual metal sales in excess of A\$550M, equivalent to revenues of a >200koz per annum gold producer. At a US\$20,000/t nickel price we estimate a present-day project NPV₉ of A\$1,482M. We apply a 25% discount to our project NPV estimate to account for the level of study maturity.

Recommendation

We maintain our SPEC BUY recommendation and improve our valuation from A\$1.79 to A\$1.87 per share.

Code:	CTM
Sector:	Materials
ESG Ratings:	Negative/ Limited, Neutral/ Acceptable, Positive/ Detailed
Commitment	Green bar
Industry	Green bar
Reporting	Blue bar

* All figures in AUD unless stated otherwise

Shares on Issue (M):	427
- fully diluted (M)	439
Market Cap (\$M):	466
- fully diluted (\$M)	478
Net cash (\$M):	60

Enterprise value (\$M):	406
EV/Resource Ni Tonnes	A\$555/t

52 wk High/Low (ps):	\$0.87	\$1.53
12m av. daily vol. (Mshs):		1.1

Key Metrics:	FY25e	FY26e	FY27e
P/E (x)	37.7	4.0	4.0
EV/EBITDA (x)	7.6	0.7	1.2

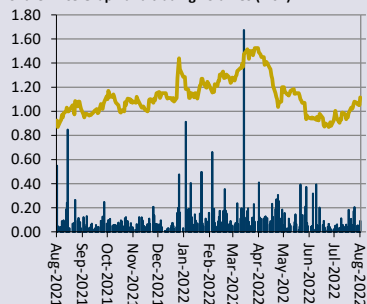
Financials:	FY25e	FY26e	FY27e
Revenue (\$M)	109	567	566
EBIT (\$M)	36	257	256
NPAT (A\$M)	17	214	218

Net assets (\$M)	531	643	788
Op CF (\$M)	23	235	226

Per share data:	FY25e	FY26e	FY27e
EPS (c)	2.2	27.0	27.4
Dividend (cps)	0.0	0.0	0.0
Yield (%)	-	-	-
CF/Share (cps)	6.2	55.0	53.0

Prod (kt Ni)	3,956	20,890	20,890
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Share Price Graph and trading volumes (msh)



Please refer to ESG comments from page 12 to important disclosures at the end of the report (from page 14)



Centaurus Metals (CTM)

Equities Research

Analyst: George Ross

Recommendation	Speculative Buy
Current Price	\$1.09
Valuation	\$1.87

Sector	Metals & Mining
Issued Capital (Mshs)	427
Market Cap (M)	\$ 466

Thursday, 25 August 2022

Profit & loss (A\$M) 30 June	Unit	2022E	2023E	2024E	2025E
Sales Revenue	A\$M	0	0	0	109
+ Other income/forwards	A\$M	0	0	0	0
- Operating costs	A\$M	0	0	-2	-41
- Royalties	A\$M	0	0	0	-4
- Corporate & administration	A\$M	-4	-4	-6	-10
Total Costs	A\$M	-4	-4	-8	-55
EBITDA	A\$M	-4	-4	-8	53
- margin		0%	0%	0%	49%
- D&A	A\$M	0	0	0	-18
EBIT	A\$M	-4	-4	-8	36
+ Finance Income/Expense	A\$M	0	0	-17	-15
PBT	A\$M	-4	-4	-25	20
- Tax expense	A\$M	1	1	4	-3
- Impairments and other	A\$M	0	0	0	0
NPAT	A\$M	-3	-3	-22	17

Cash flow (A\$M)	Unit	2022E	2023E	2024E	2025E
+ Revenue	A\$M	0	0	0	109
- Cash costs	A\$M	-4	-4	-9	-72
-Tax payments		1	1	3	2
+ Interest & other	A\$M	0	0	-17	-15
Operating activities	A\$M	-3	-3	-23	23
- Property, plant, mine devel.	A\$M	0	0	-525	-40
- Exploration	A\$M	-12	-2	-2	-2
- Feasibility Studies		-15	-12	0	0
Investment activities	A\$M	-27	-14	-527	-42
+ Borrowings	A\$M	0	267	80	0
- Dividends	A\$M	0	0	0	0
+ Equity	A\$M	76	1	225	0
Financing activities	A\$M	76	267	305	0
Cash change	A\$M	45	250	-246	-19

Balance sheet (A\$M)	Unit	2022E	2023E	2024E	2025E
Cash	A\$M	60	310	64	45
Other Current Assets	A\$M	0	0	0	0
Total current assets	A\$M	60	310	64	45
Property, plant & equip.	A\$M	0	0	525	547
Investments/other	A\$M	0	0	0	0
Total non-curr. assets	A\$M	0	0	525	547
Total assets	A\$M	60	310	589	592
Trade payables	A\$M	3	1	70	16
Short term borrowings	A\$M	0	0	107	213
Other	A\$M	3	1	77	18
Total curr. liabilities	A\$M	5	2	146	34
Long term borrowings	A\$M	0	200	240	27
Other	A\$M	0	0	0	0
Total non-curr. liabil.	A\$M	0	200	240	27
Total liabilities	A\$M	5	202	386	61
Net assets	A\$M	55	108	203	531

Resource	Mt	Ni %	Ni Kt
Jaguar South (II)	27.6	0.93	258
Jaguar Central (II)	12.1	0.9	109
Jaguar North (II)	3.2	1.12	35
Jaguar Central North(II)	12	0.63	76
Jaguar North East (I)	9.1	0.84	77
Jaguar West (II)	7.3	0.74	54
Onca Preta (II)	5.2	1.52	79
Onca Rosa (I)	2.1	1.28	27
Tigre (II)	2	0.82	16
Total Global MRE	80.6	0.91	731

Financial ratios	2025E	2027E	2028E	2029E
GCFPS Diluted (Ac)	6	55	53	49
CFR (X)	13.3	2.0	2.1	2.2
EPS Diluted (Ac)	2	27	27	27
PER (X)	37.7	4.0	4.0	4.0
DPS (\$)	0%	0%	0%	0%
Yield (%)	0%	0%	0%	0%
Interest cover (X)	2	48	0	0
ROCE (%)	6%	40%	33%	24%
ROE (%)	4%	39%	33%	24%
Avg Gearing (%)	27%	18%	0%	0%

Operations summary	2025E	2027E	2028E	2029E
Jaguar				
Ore processed (Mt)	0.5	2.5	2.5	2.5
Ni Head grade after ore sorting (%)	1.25	1.10	1.10	1.03
Met. Recovery (%)	82%	82%	82%	82%
Share of Ni in Final Product (t)	3956	20890	20890	20874
Cost per milled tonne (US\$/t)	90	77	79	82
Cash costs pre royalty (US\$/t)	10436	9370	9616	9965
AISC (US\$/lb)	5.4	5.2	4.9	4.5
Growth capital (\$M)	40	35	22	5

Price assumptions	2025E	2027E	2028E	2029E
AUDUSD	0.75	0.75	0.75	0.75
Nickel (US\$/t)	17500	17500	17500	17500
Nickel (A\$/t)	23333	23333	23333	23333

Company Valuation summary	A\$M	A\$/sh
Jaguar Project NPV9 AUD	1099	2.57
Risk Discount (Study Maturity -25%)	-275	-0.64
Jambreiro Project	20	0.05
Exploration, all sites	134	0.31
Corporate overheads	-82	-0.19
Cash and bullion (Jun 22)	60	0.14
Debt	0	0.00
Option/equity dilution	-158	-0.37
Total	798	1.87

Directors, management	
Didier Murcia	Chairman
Darren Gordon	Managing Director / CEO
Bruno Scarpelli	Executive Director
Mark Hancock	Non-Executive Director
Chris Banasik	Non-Executive Director
Natalia Streltsova	Non-Executive Director
Roger Fitzhardinge	GM - Exploration & Growth
Wayne Foote	GM - Operations
John Westdorp	Chief Financial Officer

Top shareholders	M shs	%
McCusker Holdings Pty Ltd	56	13
Sprott Inc.	39	9
Regal	27	6
Harmanis	22	5
Dundee Corporation	23	5
Management	17	4

Shares	2024E	2025E	2027E	2029E
New shs issued/exerciseable	144	6	0	0
Average issue price	1.6	0	0	0
Ordinary shares - end	783	795	795	795
Diluted shares - end	789	795	795	795

Site Visit Notes

In mid-August, the Argonaut team journeyed to Brazil’s State of Para to visit CTM’s Jaguar Project. The team visited both CTM’s regional office located in Tucumã and the project site itself.

Brazilian labour is cheap compared to Australia or North America. CTM employs approximately 120 personnel in Brazil, the vast majority being technical and support staff located in Tucumã. Management has assembled a highly capable local team who were instrumental to progression of the project throughout the COVID pandemic. The Tucumã yard includes extensive sample processing facilities, along with offices for management and administrative staff. We were impressed by the small army of geologists and field technicians diligently attending to Jaguar Project core.

Argonaut visited the Jaguar Project in mid-August

Eleven drill rigs are currently active on site. Until the last month drilling was focussed upon upgrading Resource categories for the MRE update scheduled for late September. While drill sample production and processing has been productive, assay turnaround times remain a frustration. Assays for ~140 holes (20,000 samples) remain outstanding.

The current 80.6Mt MRE includes 43Mt of Indicated Resources. We expect the September MRE update to include a substantial proportion of Measured category material, along with conversion of Inferred to Indicated categories. Global resource tonnages are likely to be maintained or lifted slightly. The current program of step out drilling will constrain a mid-2023 MRE update which we expect to include 1 million tonnes of contained nickel metal.

Figure 1: CTM’s Tucumã regional office and core yard.



CTM’s Tucumã exploration compound

Source: CTM

Figure 2: CTM's Tucumã core logging facilities.



Source: Argonaut

CTM's core logging facilities

The Jaguar Project site is located approximately 40 kilometres north of Tucumã and is accessed via unsealed roads that are partially maintained by CTM. Alternative access is provided past Vale's Onca Puma ferronickel pyrometallurgical refinery (Figure 3). Total capital investment at Onca Puma to date is estimated at US\$2.8B. The project has a nominal capacity of 53kt of nickel in ferronickel product per annum from a saprolite resource of 105Mt at 1.51% Ni.

Figure 3: Aerial view of Vale's Onca Puma nickel saprolite plant and ferronickel smelter infrastructure.



Source: Argonaut

Vale's Onca Puma operation

Upon arriving at site, we visited one of CTM’s two exploration field camps. The camps are used by full-time and contract staff. We also viewed a core processing yard and the revegetation nursery. CTM also recently completed construction of a large sample storage shed capable of holding more than 250,000m core in trays.

Figure 4: CTM and Argonaut representatives at the entrance to the Jaguar Nickel Project.

CTM staff and site visitors



Source: Argonaut

Figure 5: Jaguar field camp infrastructure.

Exploration camp infrastructure



Source: Argonaut

Figure 6: New Jaguar drill core storage shed.

CTM's new 250,000m core storage shed



Source: Argonaut

It is difficult to fully appreciate the scale of the Jaguar project and what CTM has achieved during the last three years without viewing progress from the air (Figure 8). Access tracks and drill pads crisscross the deposits, often cut into challenging topography. Remnant vegetation on steeper areas will be offset by revegetation of cattle pasture elsewhere in the project area.

Figure 7: CTM's Managing Director and CEO Darren Gordan (right) surveys drill pads to the north of Onca Preta.

A fine view from Onca Preta



Source: Argonaut

Figure 8: Aerial view northwest over the Jaguar South (foreground), Central and North East deposits.

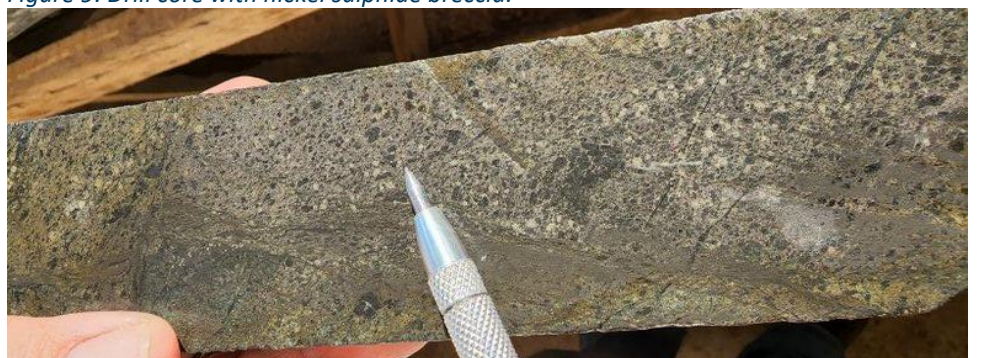


Source: Argonaut

The true scope of the project requires a bird's eye view

Outcrops of mineralisation are rare, although we did sight depleted gossan and partially oxidised base metals sulphides in a road cutting. Spectacular high energy breccias of nickel sulphide (pentlandite & millerite) and country rock were observed in previously reported drill core.

Figure 9: Drill core with nickel sulphide breccia.



Source: Argonaut

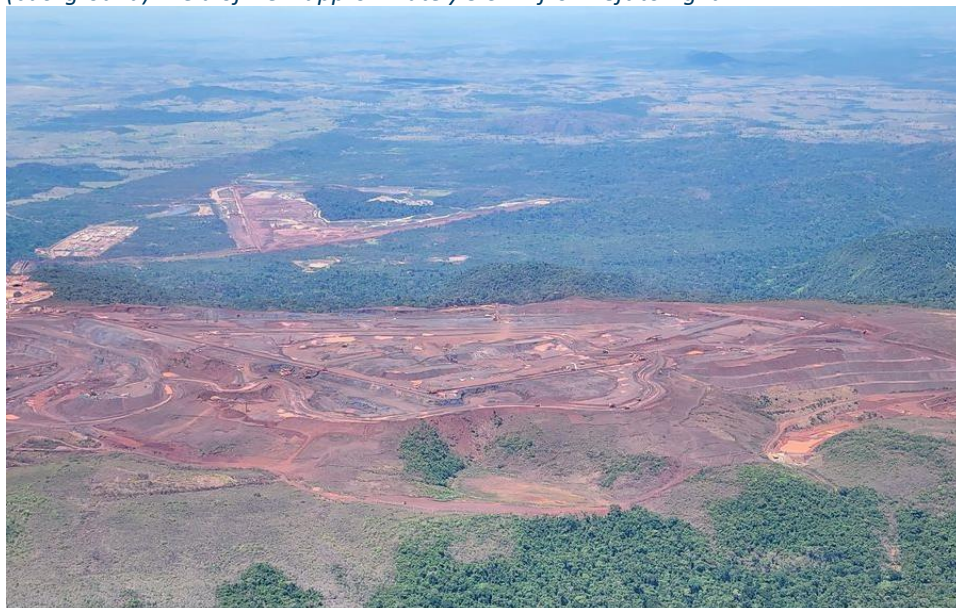
Jaguar's nickel sulphide breccias impress

Key Site Visit Takeaways

- It is apparent that CTM's management have been operating in the region for over a decade. The team has established strong relationships with local stakeholders and understand what it takes to progress Brazilian development projects.
- CTM's Australian based executive team is backed by an equally impressive selection of Brazilian management and technical personnel. The depth of the local team enabled steady progression of the Jaguar project despite protracted COVID pandemic disruption.
- The scale of the Jaguar Project is impressive and appears destined to become a sizable, long life nickel producer in a region already home to many globally significant base metal and iron ore mines. Vale's giant S11D (Serra Sul) mining complex is located 100km due east of the Jaguar Project. S11D is the world's largest iron ore mine, producing 90Mt of iron ore per year (Figure 10).
- The first 3 years of Jaguar mine life are expected to source shallow, high-quality feed from open pits at the Jaguar Central, Jaguar South and Onca Preta deposits. Mining of these should facilitate rapid payback of development capital expenditure.
- Drilling has now shifted focus towards Resource growth and discovery. CTM has established a relationship of mutual respect with Brazilian mining giant Vale that may yield further opportunities.
- While relatively cheap, underground mining in Brazil is challenged by onerous labour laws that restrict productivity. We think CTM may ultimately revise its mine plan to tackle underground mining later in project life than that currently scheduled.
- Permitting appears to be progressing well. Finalisation of approvals and determination of the final investment decision remains on track for Q3 CY2023.

Our takeaways....

Figure 10: View south over Vale's giant S11D mine (foreground) and plant infrastructure (background). Field of view approximately 3.5km from left to right.



Source: Argonaut

Vale's S11D giant iron ore operation

Jaguar Study Progression

At the end of July CTM provided a general progress update on activities contributing to the Jaguar Definitive Feasibility Study. Delivery of the DFS has been delayed three months

Drilling focus shifting to growth and discovery

to March 2023. This delay is not expected to influence an FID decision scheduled for Q3 2023.

Drilling

Infill drilling of the December 2021 80.6Mt at 0.91% Ni is now complete. CTM is targeting more than 500kt of contained nickel within Measured and Indicated Resource categories in the next MRE update scheduled for the end of the September quarter. Resource growth and discovery drilling is expected to add significant tonnes to a mid-2023 MRE update.

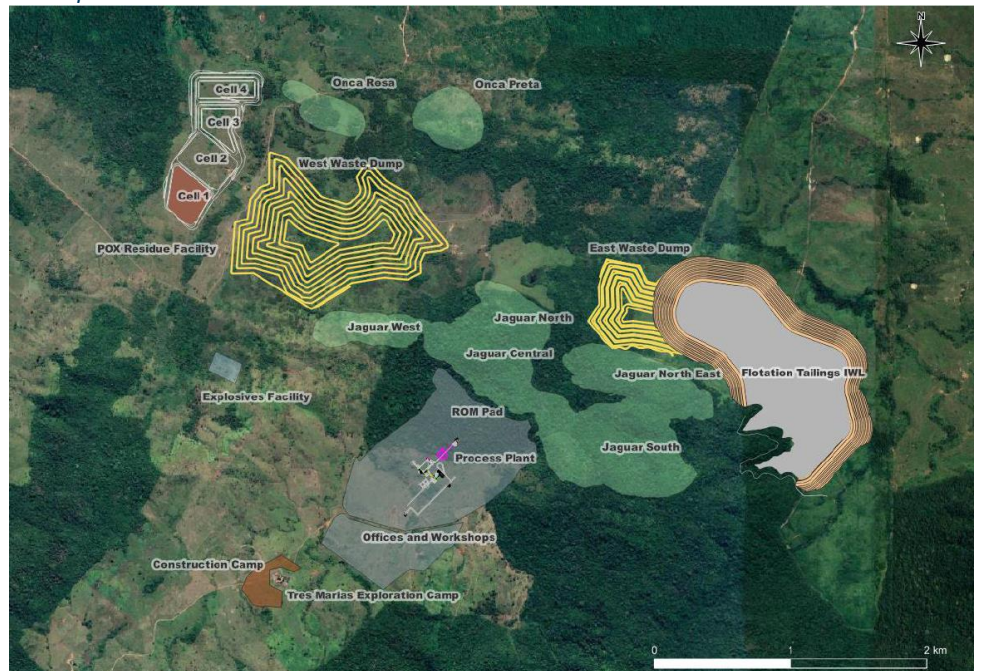
Geotechnical

Geotechnical logging over existing core will be used for definition of geotechnical domains. Results to date have identified generally stable conditions.

Pit Designs

Open pit optimisations and mine scheduling has been completed using a range of nickel prices from US\$17,500-22,000/t. Using a US\$17,500/t nickel price, optimised pits bottom out at the base of the December 2021 MRE. Open pit designs for the Jaguar deposits using the December 2021 MRE now combine into a singular 3km ultimate pit. The overall project strip ratio is approximately 7.5 to 1.

Figure 11: Current project layout including ultimate pit designs using a US\$17,500/t nickel price.



Source: CTM

Mine designs advancing

Metallurgical Tests

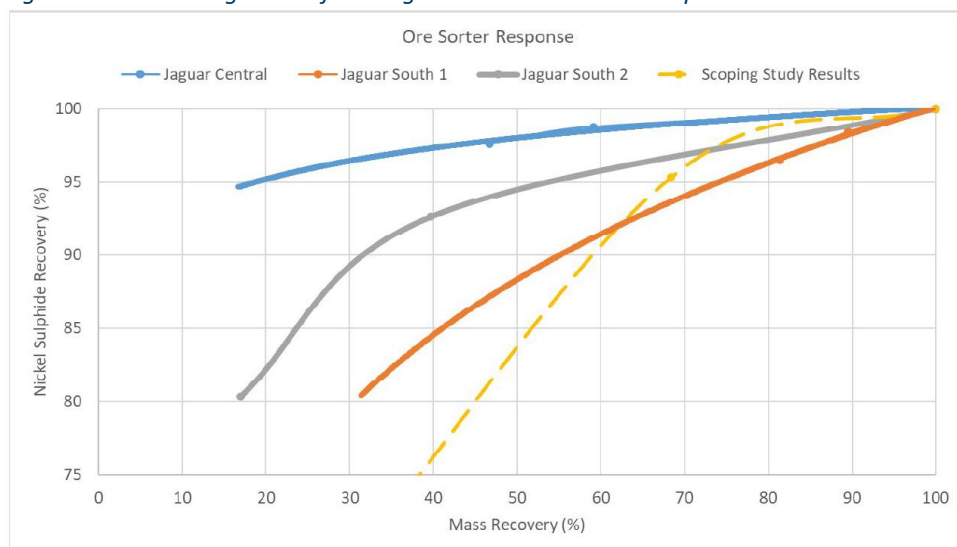
COVID related disruptions delayed the beginning of extensive metallurgical programs.

Induction and X-ray ore sorting tests of feed grades varying from 0.4-0.7% Ni achieved sulphide recoveries of between 85%-98% with mass pulls varying from 40-60% (Figure 12). These results are superior to sorting assumptions adopted in the prior Scoping Study.

Comminution tests have identified that Jaguar South contains the hardest ore with a Ball Mill Work Index of 17.4kWhr/t. The Jaguar plant will be designed for 2.7Mtpa of throughput at this work index. It is anticipated that the plant will be able to feed softer

ore at higher throughput. The plant comminution circuit will include a single stage crushing stage with jaw crusher, SAG and Ball Mill for grinding.

Figure 12: Ore sorting results from Jaguar Central and South deposits.



Source: CTM

Metallurgy results are making the grade

Over 50 bulk flotation tests have now been completed to produce over 400kg of sulphide concentrate for pressure oxidation tests. Pilot pressure oxidation test work is scheduled to begin in mid-August. The pilot program will run for 8 weeks and aim to produce several intermediate battery supply chain related products including nickel sulphate.

Economic & market studies have determined that project revenues can be maximised by production of mixed zinc & cobalt intermediate precipitates along with copper cathode.

New Board Appointment

In August CTM announced the appointment of Dr Natalia Streltsova as an independent non-executive Director. Dr Streltsova is a Chemical Engineer of 29 years' experience and has spent over 12 years in various technical and senior executive roles with major mining houses including Vale, BHP Billiton and WMC Resources. Dr Streltsova was a non-executive director for Western Areas until recent takeover by IGO.

The appointment of Dr Streltsova strengthens the Board

Jaguar Project Valuation

We have updated our Jaguar project valuation to incorporate recent announcements. Our model assumes predominantly open pit mining with lesser underground extraction from Year 4 onwards. We include US\$420M in development capital (including pre-strip) funded by an ~50:50 split of debt and equity. In our model, an integrated flotation-POX plant produces in excess of 20ktpa of nickel metal in sulphate product over a 17-year mine life.

Using a flat US\$17,500/t nickel price, Argonaut's Jaguar model estimates a present day NPV₉ of A\$1,099M. At this price our Jaguar model generates annual revenues in excess of A\$500M, comparable to a ~200koz per annum gold producer. At a US\$20,000/t nickel price we estimate a present-day project NPV₉ of A\$1,482M.

Valuation

Our risked net asset valuation for CTM has been increased to A\$1.87 per share (up from A\$1.79 per share). This includes our present-day Jaguar Project discounted cashflow

valuation incorporating a 9% discount rate. To reflect advancements in technical studies we have reduced our study maturity risk discount to 25%. This risk discount will be further unwound as studies advance. Without study risk discounting our corporate valuation would be A\$2.51 per share.

Table 1: Corporate NAV of Centaurus Metals (CTM).

Company Valuation Summary	Unrisked Value		Risky Value	
	A\$M	A\$/sh	A\$M	A\$/sh
Jaguar Project NPV9 AUD	1099	2.57	1099	2.57
Risk Discount (Study Maturity -25%)			-275	-0.64
Jambreiro Project	20	0.05	20	0.05
Exploration, all sites	134	0.31	134	0.31
Corporate overheads	-82	-0.19	-82	-0.19
Cash and bullion (Jun 22)	60	0.14	60	0.14
Debt	0	0.00	0	0.00
Option/equity dilution	-158	-0.37	-158	-0.37
Total	1073	2.51	798	1.87

Source: Argonaut

Jaguar continues to impress. We increase our valuation to A\$1.87 per share

Recommendation

We maintain our SPEC BUY recommendation and improve our valuation from A\$1.79 to A\$1.87 per share valuation.

Key Risks to valuation

Timelines

Our discounted cash flow model is time dependant. Any delay to scheduled development or production will adversely affect on our valuation.

Metallurgical performance

Provisional metallurgical testing has been completed upon a limited set of samples and is unlikely to accurately represent true future performance. Pilot POX test programmes are currently underway.

Fluro-apatite is associated with mineralisation at the Jaguar project. Sulphide concentrate characterisation studies have concluded that fluorine is present in quantities that may attract a penalty. Production of a sulphate product via POX will eliminate this penalty.

Commodity Pricing

Value estimates are based on consensus long term commodity price forecasts. A 10% difference to the price of nickel over the modelled life of mine will result in a ~25% shift in project valuation.

Costs

Cost assumptions are based on operating and capital costs from CTM documentation and our knowledge of industry rates.

Exploration success

Valuation assumes that future exploration and investments achieve acceptable returns. Subjective value is attributed to exploration assets at Jaguar.

Interest rates/discount rates

Argonaut takes cash flow risk into account when choosing discount rates for different projects. Our valuation is sensitive to the discount rate used.

ESG credentials and sustainability

In this section we collate information regarding CTM's Environmental, Social and Governance performance. Refer to the disclosures section for commentary on Argonaut's approach to ESG.

Table 2: Environmental, Social, and Governance comments

COMMITMENT / DELIVERY	Positive
<ul style="list-style-type: none"> ✓ Our view on commitment and delivery needs to be considered in the light of the stage of operations ✓ ESG issues are addressed in announcements and on the Company's website ✓ CTM has displayed strong engagement with local communities and various levels of government ✓ More than 90% of the current Jaguar project workforce are from the south-eastern region of the state of Para ✓ More than 80% of Jaguar project expenditure related to exploration and development work has been award to local community and regional suppliers ✓ CTM has constructed a plant nursery on site in partnership with local municipalities ✓ The Company has implemented an internship program with the University of Maraba in the fields of geology, mining and engineering ✓ CTM has improved access roads to the Jaguar site. These are also used by the local communities ✓ CTM donated a 20,000L water tank to the nearby village of Minerasul ✓ Survey data suggests that 95% of the local community interviewed support the Jaguar Project 	

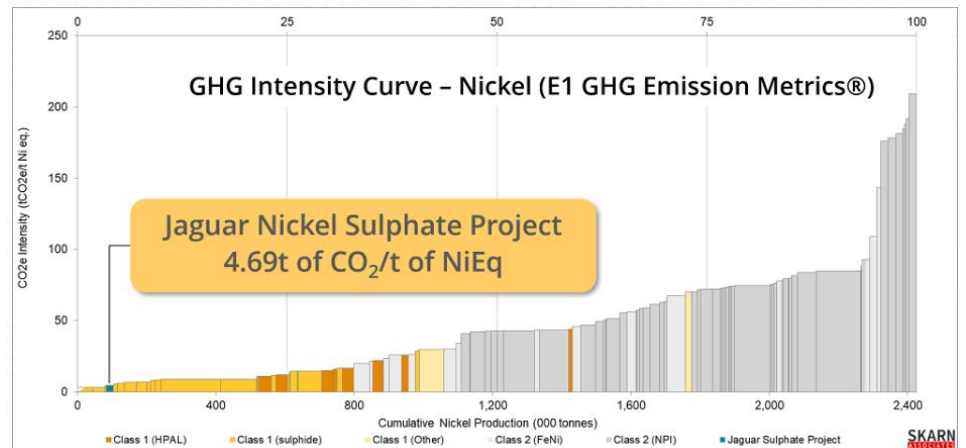
INDUSTRY	Positive
<ul style="list-style-type: none"> ✓ Nickel is vital to the manufacture of NCM lithium-ion batteries. The demand for lithium-ion batteries is expected to grow with a global economic shift towards decarbonisation ✓ The current development plan for CTM is to produce an intermediate nickel sulphate product via treatment through Pressure Oxidation ✓ A greenhouse gas emission analysis of CTM's planned sulphate product is expected to be lower than 95% of global nickel production. This low production emission profile is driven by availability of hydroelectricity and the hydrometallurgical route of processing 	

REPORTING	Acceptable
<ul style="list-style-type: none"> ✓ CTM provides information about sustainability within various company announcements 	

- ✓ A formal ESG Framework was implemented in late 2021. This framework is based on the Towards Sustainable Mining Principles and the United Nations-supported Principles of Responsible Investment
- ✓ CTM does not yet providing detailed periodic ESG reporting. This is reasonable considering the early stage of the project. More formal ESG reporting is expected to begin in 2022

** Please refer to disclosures section for Argonaut’s approach to sustainability*

Figure 13: Modelled greenhouse gas emissions for Jaguar versus global nickel production.



Source: CTM/Skarn Associates



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Important Disclosures

The publishing analyst holds shares in CTM.

The analyst recently attended a site visit to the Jaguar Project in Brazil, with in-country costs borne by CTM.

Argonaut acted as Joint Lead Manager in respect of the Placement to raise \$75M in January 2022 and received fees commensurate with this service.

Information Disclosure

Each research analyst of this material certifies that the views expressed in this research material accurately reflect the analyst's personal views about the subject securities and listed corporations. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this material to any of the analyst(s).

ESG and Sustainability Commentary

Argonaut has introduced sustainability analysis for selected companies under coverage. Our intention is to highlight ESG-related attributes or risks, as it is believed these will increasingly impact investment attractiveness, cost of capital, and valuation. It is considered in the context of the size and life-cycle stage of the company. Where sustainability risk is high relative to company size/maturity, the analyst will consider adjusting the valuation and/or opinion to reflect this risk. A brief rationale behind the view and its impact on the analysis may be provided in the report.

The following table summarises how we have approached this issue. It is not all inclusive and we do not purport to provide a rating that is inclusive of all the factors that may be considered in a full ESG ratings report.

Measure	Selected Analysis factors	View
Commitment, operational delivery & risk mitigation	<p>Largely subjective:</p> <ul style="list-style-type: none"> Visible efforts to embrace a more sustainable future Nature of operations, jurisdiction and environmental impact Comparison to peers in the same industry/sector Efforts to mitigate identified risks Engagement with stakeholders Corporate governance considerations and good citizenship Diversity, equality, and inclusion Company actions supportive of aspirational targets Energy usage and efforts to mitigate climate risks Any reported ESG-related/corporate governance issues 	<p>Positive Neutral Negative</p>
Industry/Sector sustainability	<p>Largely subjective:</p> <ul style="list-style-type: none"> Commodity/product/service contribution to sustainable future Industry/sector/business model resilience as pertains to ESG factors Sector energy intensity and/or carbon emissions Downstream/supply chain impact on sustainability 	<p>Positive Neutral Negative</p>
Company ESG reporting	<p>Largely objective (but in context of company size/maturity):</p> <ul style="list-style-type: none"> Sustainability/corporate governance report/audit Availability of data to back up narrative (emissions, water usage etc.) Reference to ESG-related framework (GRI, SASB, TCFD, UN SDGs, MSA) Rating from a recognised global ESG ratings agency 	<p>Detailed Acceptable Limited</p>

In the absence of uniform global reporting standards Argonaut's current approach and views are necessarily largely subjective. Argonaut will consider ways to formalise ratings as the ESG ratings industry and measurement criteria evolve, but in the meantime investors should do their own analysis and/or obtain independent ratings from ratings providers.

Note that in this context Argonaut uses sustainability and ESG interchangeably.

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