

Cyprium Metals Ltd

(CYM \$0.19) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Mike Millikan	17 th November 2021	\$0.75/sh

Nifty Copper Resource Upgraded for Restart Study

Event

Significant resource growth reported for the Nifty copper deposit. A larger copper inventory is expected to add mine life and provides opportunities to lift targeted copper production levels over time. Restart Study due in the coming weeks (Dec'21).

Impact

- Latest resource for the Nifty copper deposit is now **45.9Mt (+4%) @ 1.6% Cu (+11%) for ~732kt of contained copper (+15%)**.
- Total oxide resources increase an impressive 266% on contained metal (from ~37kt to ~136kt Cu) and is now **11.9Mt (+175%) @ 1.1% Cu (+28%) for 135.5kt of contained copper (+266%)**; further resource growth anticipated from ongoing drilling.
- This key near-surface copper inventory bodes well for a larger mine life for the readily leachable oxide resource component, at an improved copper grade (now over 1% Cu), underpinning the Nifty Heap Leach Restart Study, which is flagged for release in Dec'21.
- The restart study is expected to present the investment case for Heap Leach SX-EW copper cathode production of ~20-25ktpa utilising existing infrastructure, heap leach retreat material and open pit mining of the oxide/transition ores for higher-grade copper PLS.
- The sulphide resource contains **~34Mt @ 1.8% Cu for ~597kt of contained copper** (59% M+Ind), which is similar in contained copper when compared to the previous MetalsX estimate, but less tonnes (-15%) at higher grade (+19%).
- We have adjusted our modelling for the updated resource, increased our capex and opex assumptions and maintained our copper production levels. Our prelim valuation (sum of parts) is now \$0.65/sh (down from \$0.70/sh, on more conservative estimates). At current spot copper prices of ~US\$4.40/lb and FX our valuation increases to ~\$1.15/sh. **Price Target 75cps** (unchanged).

Action

Nifty is being progressed for first copper-cathode production in CY23. Copper prices remains strong, with the "green energy" thematic further contributing the tightening supply and increased demand; which bodes well for CYM production plans. **Speculative Buy** retained.

Key Catalysts

- Drill results (Nifty)
- Environmental permitting timelines (Nifty)
- Drilling update (Maroochydore)
- Nifty Restart Study (Q4CY21)
- Drill results and resource update (Nanadie Well)
- Nifty copper production (target CY23)
- Copper price

Cyprium Metals Ltd	Year End 30 June	
Share Price	\$0.190	A\$/sh
Issued Capital		
Fully Paid Ord	564.8	m
Opts var	46.5	m
Performance Rights	57.0	m
Total Dil.	668.4	m
Market Cap. (Dil)	\$127	m
Enterprise Value	\$123	m
Debt - con notes	\$36	m
Cash - est	\$40	m
Year Low-High	\$0.16-\$0.36	
Avg Daily Vol	0.65m/day	

Directors

G.Comb	Non Exec Chairman
B.Cahill	Exec Director
N.Rowley	Non Exec Director
W.Apted	CFO & Comp Sec

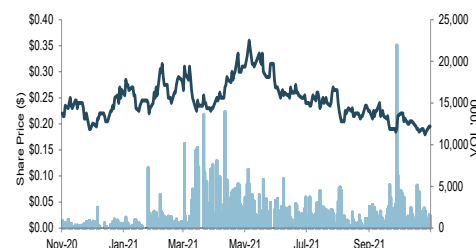
Major Shareholders

Paradice	8.3%
Board	2.6%

Company Details

Ph: +61 8 6374 1550
1/437 Roberts Road
Subiaco, WA, 6008
www.cypriummetals.com

Share Price Chart



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This analyst declares that he has a beneficial interest in Cyprium Metals Ltd.

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Analysis

- The Nifty copper deposit has been estimated to contain a resource of: **45.9Mt (+4%) @ 1.6% Cu (+11%) for ~732kt of contained copper (+15%)**.
 - 86% Measured & Indicated (for 628.5kt of contained copper) in the higher confidence resource categories, which can be converted over time into reserves.
 - Recently completed RC and DD drilling is expected to expand resources further with another resource update anticipated in CY22.

Fig. 1. Nifty Copper Resource - Nov'21

Ore Source	Cut-Off %Cu	Measured			Indicated			Inferred			Total		
		Ore Mt	Grade %Cu	Metal t Cu	Ore Mt	Grade %Cu	Metal t Cu	Ore Mt	Grade %Cu	Metal t Cu	Ore Mt	Grade %Cu	Metal t Cu
Oxide	0.4	1.1	1.2	12,300	0.3	1.1	3,300	0.2	0.9	1,700	1.6	1.1	17,300
Lower Saprolite	0.4	1.3	0.9	12,200	0.4	0.8	3,000	0.2	0.8	1,200	1.8	0.9	16,300
Transition	0.4	0.2	0.7	1,500	0.2	0.7	1,000	0.2	0.7	1,200	0.5	0.7	3,700
Chalcocite	0.4	4.3	1.2	53,800	2.3	1.2	28,400	1.4	1.2	16,100	8.0	1.2	98,300
Total Oxide	0.4	7.0	1.2	79,700	3.1	1.1	35,600	1.9	1.1	20,100	11.9	1.1	135,500
Sulphide	0.75	19.6	1.8	351,200	9.2	1.8	161,900	5.1	1.6	76,900	33.9	1.8	596,700
TOTAL		26.5	1.6	431,000	12.3	1.6	197,500	7.0	1.5	97,100	45.9	1.6	732,200

Source: Cyprrium Metals Ltd

- Substantial total oxide resource increase of: **11.9Mt (+175%) @ 1.1% Cu (+28%) for 135.5kt of contained copper (+266%)**.
 - The increase in oxide resource has been partially due to the reclassification of the chalcocite resource from the sulphide resource component. Chalcocite is considered amenable to heap-leach.
 - Added 98.5kt of contained copper (+266 increase), grade increased 28% and now above 1% Cu (previously 0.86% Cu).
 - Key near surface copper inventory for the Nifty Restart Study, which will initial focus on the readily heap leachable material (oxide, lower saprolite, transitional and chalcocite).
 - We were hoping to see the oxide resource increase to +60kt of contained copper so a pleasing outcome
- The sulphide resource contains **~34Mt @ 1.8% Cu for ~597kt of contained copper** (59% M+Ind), which similar in contained copper when compared to the previous MetalsX estimate, but less tonnes (-15%) at higher grade (+19%).
- Upcoming news flow:
 - Drill results** from the ongoing resource infill and sterilisation program at **Nifty**: looking to grow the open pit mining inventory.
 - Environmental permitting** timelines (**Nifty**): moving the heap leach pads and additional waste dumps from the proposed open pit mining requires additional permitting through the EPA; new pads/dumps are very close to the existing infrastructure within the mining lease; with all flora/fauna surveys completed, clearing approvals in place, new pad designs to be approved (which are a better designed than the old pads, draining back to the pit).

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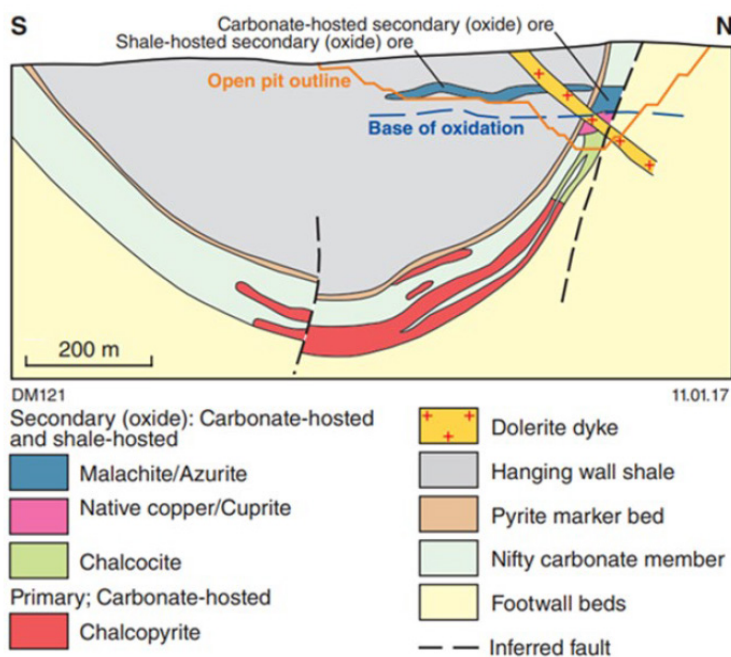
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- **Nifty Restart Study** (due Dec'21): currently refurbishing the SX-EW plant for targeted 20-25ktpa copper cathode production; on rough timing moving and re-stacking the existing heap leach pads could commence in early CY22 (subject to final approvals, and potential funding); open pit mining targeted to commence mid-CY22 (unchanged) with the strip ratio to be determined by the resource update (~7:1 over LOM, optimisation dependant); capex numbers being finalised, our expectation of ~\$130m (our estimate only and now includes some working capital) to be updated by the study; permitting and construction timelines will determined production start, but early CY23 commissioning appears achievable.
- **Maroochydore** resource infill and met-test work program underway; unlocking the metallurgy will be key to commercialising this deposit, which has good strategic value.
- **Nanadie Well** drill results for a resource update, another potential copper development opportunity down the line.

Fig 2. Nifty Geology Cross Section



Source: Cyprium Metals Ltd

Nifty – restart study imminent

- **Nifty** is the key asset, containing significant copper resources, extensive mine and site infrastructure, along with large exploration package within the highly prospective Paterson Province.
- Extensive infrastructure including a 2.8Mtpa copper concentrator (in care and maintenance), 20-25ktpa solvent extraction-electrowinning (SX-EW) plant, power station (gas-fired 21MW), accommodation village (~400 person), all-weathered sealed airstrip and associated site offices and workshops.
- The SX-EW plant is currently being refurbished to ultimately produce copper cathode, the purest form of copper and the feedstock used in a wide range of copper products (ie copper wiring, tubing, sheeting, alloys, foil etc).

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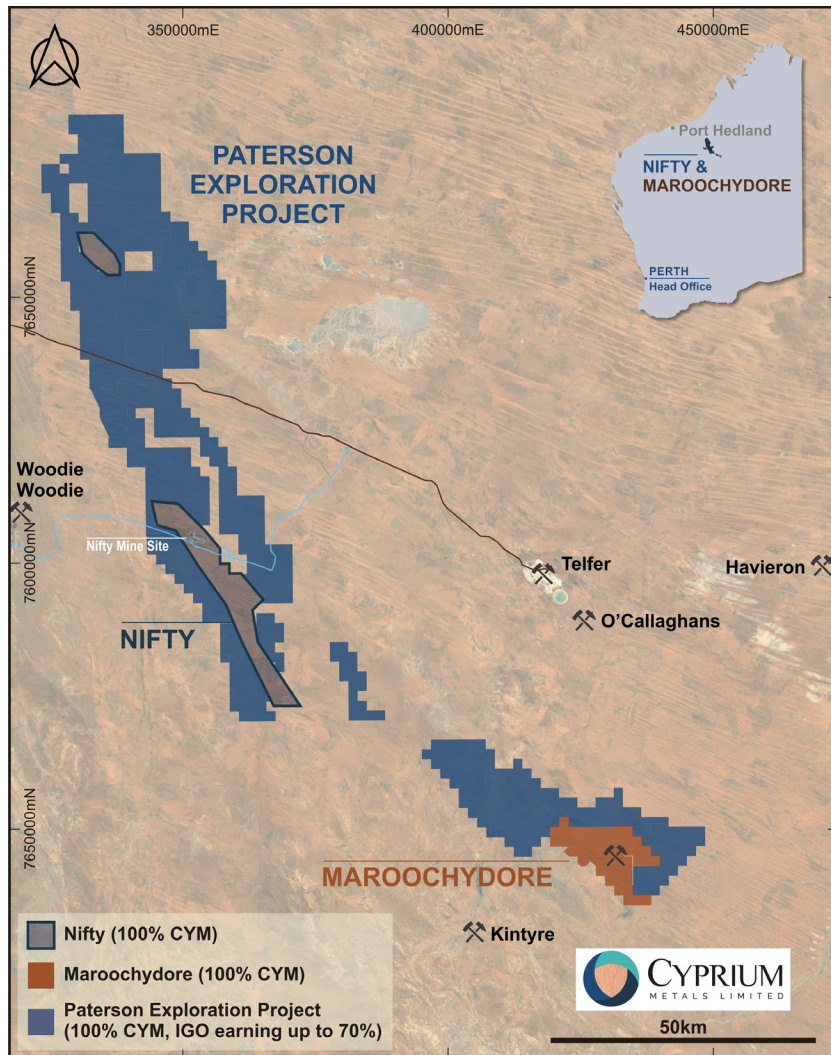
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- Process: screen, crush, agglomerate, stack and then leach for PLS into the SX and then EW to plate copper cathode
- Advantages of high (100%) payable terms or premium for LME registered brands and attracts a lower state royalties of 2.5% versus 5% royalty on copper concentrate production.
- The leached metal (copper) in solution is then processed by solvent extraction-electrowinning (SX-EW) to produce LME Grade A copper cathode (purity of more than 99.99% Cu).

Fig 3. Nifty Project Location



Source: Cyprium Metals Ltd

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Valuation and Price Target

Fig 4. Preliminary “Sum of Parts” Valuation for CYM

ASSET VALUATION	A\$m	A\$/sh
Nifty Heap Leach SX/EW 10yrs - NPV10 risked 80%	191	0.29
Nifty Open Pit - Sulphide 10yrs - NPV12 risked 70%	220	0.33
Other Copper Projects + Exploration	35	0.05
Corp OH	(20)	(0.03)
Cash	40	0.06
Unpaid Capital (ITM)	2	0.00
Debt (con note)	(36)	(0.05)
Total	431	0.65

Source: Euroz Hartleys

- We have updated our preliminary valuation (sum of parts) on CYM which is now \$0.65/sh down from \$0.70/sh. Nifty continues to be seen as the largest value driver, at least in the near-term and we model (risked NPVs) a -10year Heap Leach SX-EW operation and a -10-year open pit copper-in-concentrate production, based largely on inputs (and expanded) from the MLX Nifty Scoping Study (June'20). The table below summarises our latest modelling inputs, which we stress remains preliminary and subject to change.
- We have assigned a nominal \$35m for the other copper assets, which should also be considered conservative, especially with resource updates and Scoping Studies coming due from the Murchison Copper Project, along with the extensive copper resource at Maroochydore Copper Project.
- Our modelling now uses our (Euroz Hartleys) copper price deck for average copper prices of ~US\$3.59/lb and FX rate of AUD:US\$ of ~0.73. At current spot copper prices of ~US\$4.40/lb and FX our valuation increases to ~\$1.15/sh, highlighting significant upside value. We will update our valuation as CYM advances its development plans.

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Fig 5. Model Assumptions for Valuation

Nifty Copper Mine - LOM	Units	Concentrate - Sulphide	Heap Leach SX/EW	
Mine Life	Yrs	10	10	
Strip Ratio	W:O	6.1:1	7.7:1	
		Sulphide	Oxide	Sulphide
Mining Inventory	Mt	23	12	8
Grade	% Cu	1.5	1.1	1.5
Contained Cu	kt Cu	352	127	119
Pre-prod Capex	A\$m	55	130	
Mill feed material	Mt	23.5	19.6	
Grade	% Cu	1.50	1.29	
Contained Cu	kt Cu	351.8	245.1	
Recoveries	%	85%	80%	
Recovered Cu	kt Cu	298	197	
Payable Cu	kt Cu	268	197	
Copper Price (ave)	US\$/lb Cu	3.5	3.6	
Copper Price (ave)	A\$/lb Cu	4.7	4.9	
Revenue	A\$m	2796	2126	
Mining/handling	A\$m	532	566	
Heap Leach	A\$m	-	366	
SX	A\$m	-	49	
EW	A\$m	-	43	
Reagent/other	A\$m	-	23	
Processing	A\$m	610	-	
G&A	A\$m	141	-	
C1 cost	A\$m	1283	1048	
Sales & marketing	A\$m	188	7	
Royalties	A\$m	155	53	
Cash operating cost	A\$m	1626	1108	
Sustaining capital	A\$m	70	37	
All-in sustaining cost (AISC)	A\$m	1696	1145	
AISC	A\$/lb Cu	2.58	2.64	
AISC	US\$/lb Cu	1.91	1.95	
Operating cashflows (EBITDA)	A\$m	1045	851	
Post tax earnings (est)	A\$m	740	574	
Discount Rate	%	12%	10%	
NPV pre-tax	A\$m	\$441	\$372	
NPV post-tax	A\$m	\$314	\$238	
Risked	%	70%	80%	
NPV post-tax risk adj	A\$m	\$220	\$191	

Source: Euroz Hartleys

- Our modelling sees potential for ~19.7ktpa copper cathode production at AISC of US\$1.95/lb Cu and ~26ktpa payable copper-in-concentrate production at AISC of US\$1.91/lb Cu.
- We see significant upside in improving heap leach recoveries and potentially increasing the SX-EW capacity in the longer term. CYM is proposing to have longer leach times which will lift heap recoveries, targeting for +80-85%.

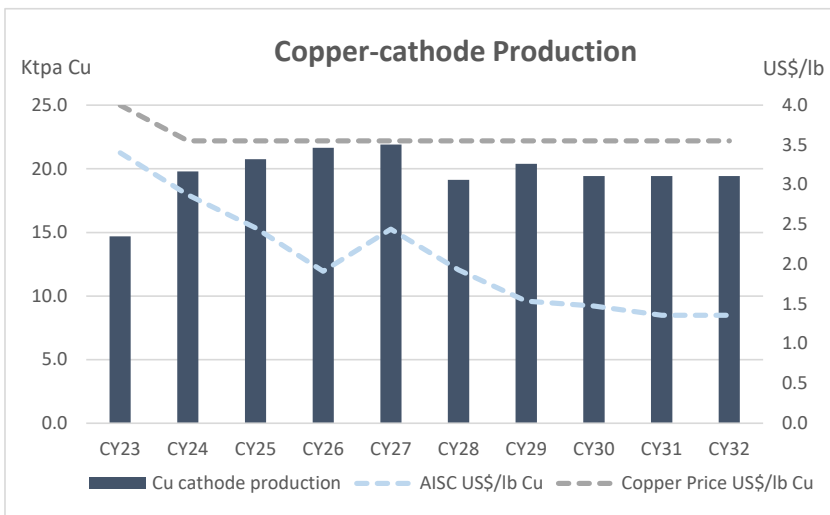
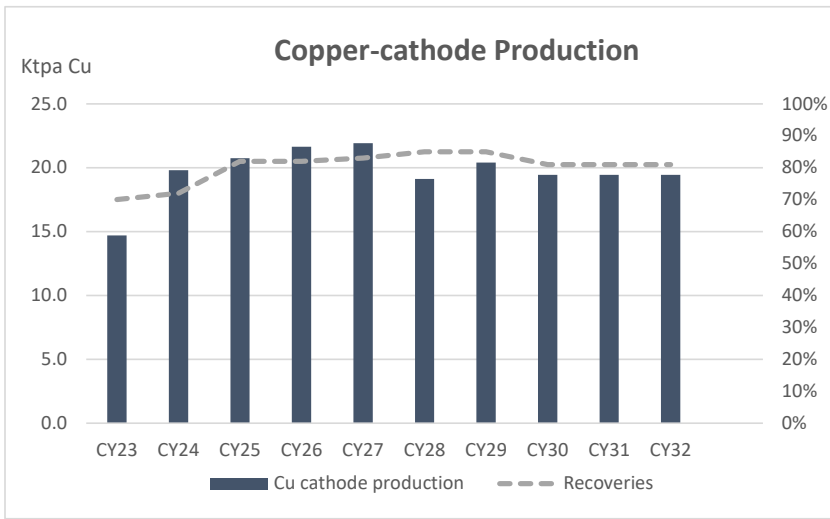
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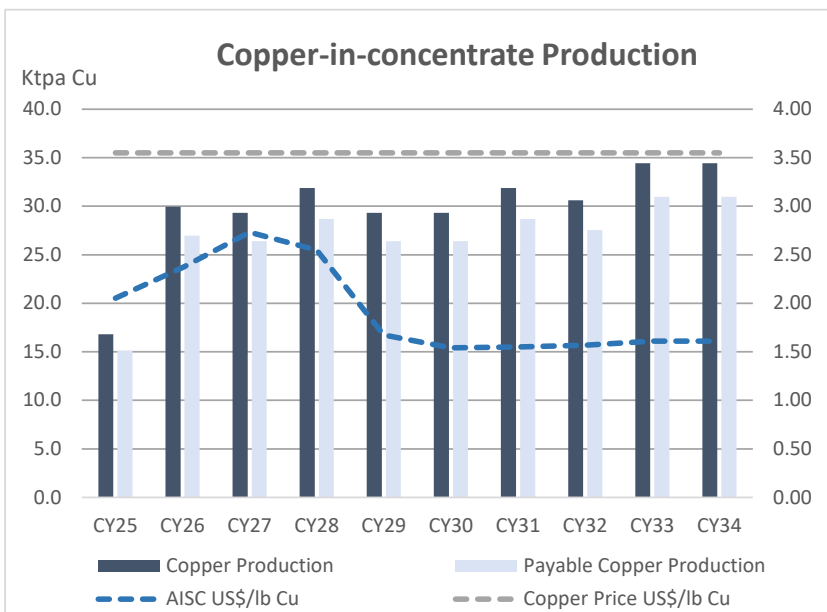
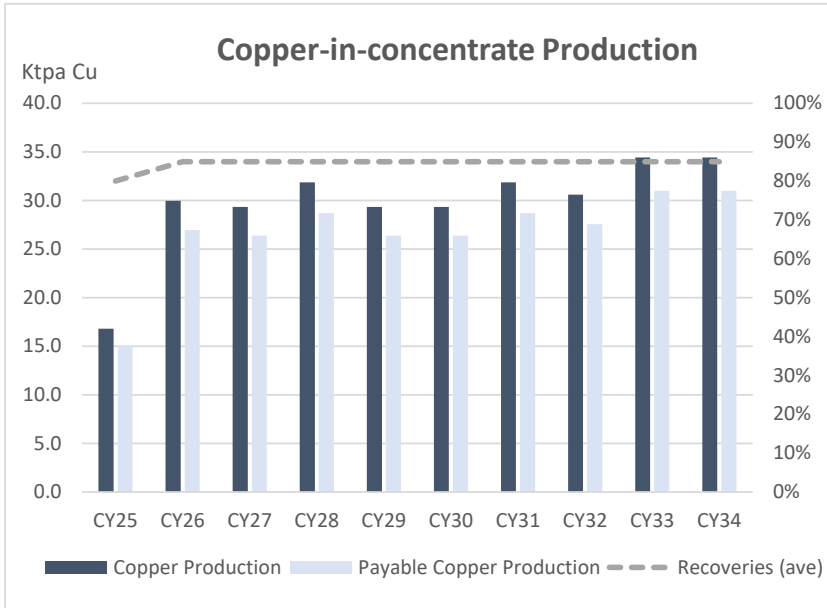
Fig 6. Copper Cathode Production (est)



Source: Euroz Hartleys

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Fig 7. Copper-in-concentrate Production (est)



Source: Euroz Hartleys

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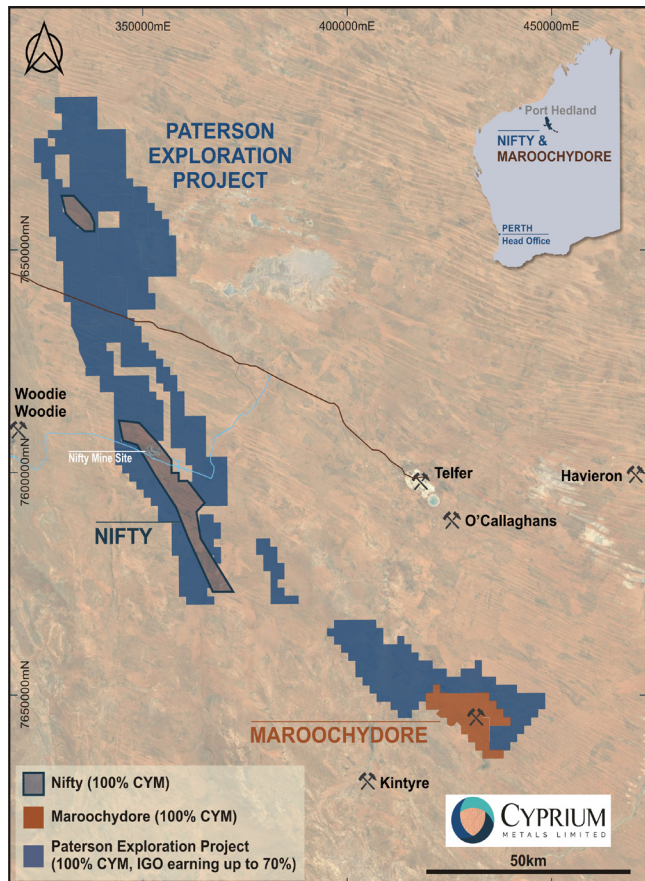
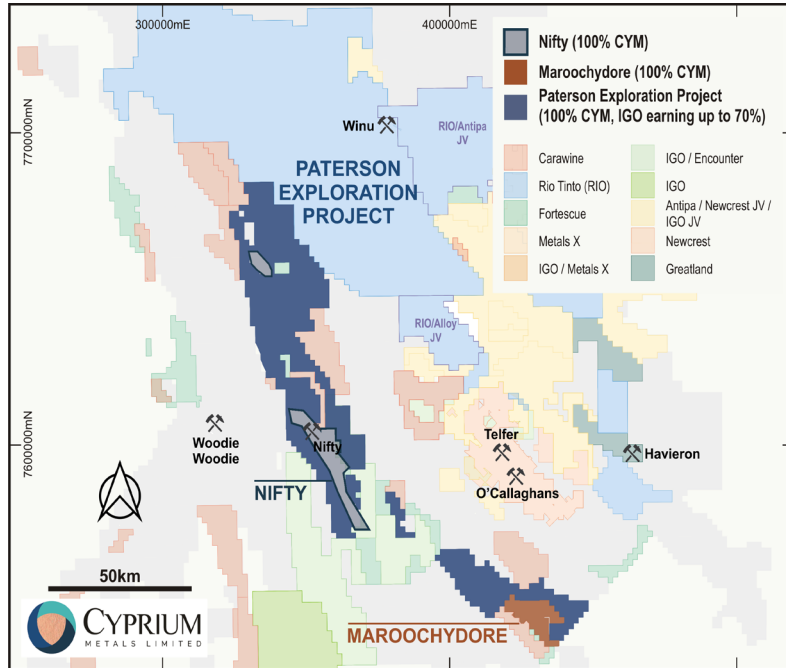
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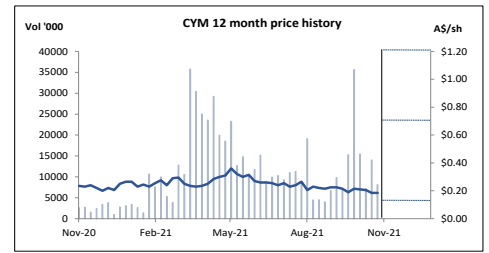


Key Variables

Euroz Forecast	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25
Copper \$	\$2.57	\$3.70	\$4.00	\$3.50	\$3.50	\$3.50
AUDUSD	\$0.67	\$0.75	\$0.75	\$0.74	\$0.74	\$0.74



Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.65/sh
Price Target - \$0.75/sh

Bull Scenario - \$1.20/sh

Nifty is upgraded for higher copper cathode production, and mine life is extended. Other CYM assets, such as Maroochydore are incrementally added as new heap leach operations for increased production levels. Copper prices increase beyond our long term assumption.

Base Scenario - \$0.75/sh

We assume CYM progresses development studies with a favourable outcome to commence initial copper production at Nifty. We assume heap-leach SX-EW for copper cathode for -10 years and potential copper in concentrate production also for -10 years.

Bear Scenario - \$0.15/sh

The Paterson Copper Portfolio underpins some value, and market assigns little value to the other assets. Copper price falls and Nifty ceases to generate any free cash.

Company Summary

Cyprium Metals Ltd (CYM) is an Australian-focused copper developer and explorer. The Company acquired a portfolio of copper assets which are transformational in regards to accelerating development plans. Nifty is one of the key assets acquired, and contains significant copper resources, extensive mine and site infrastructure, along with exploration upside. Cyprium has aspirations of building a mid-tier copper mining business, leveraging its' development and production expertise to its growing copper portfolio. A low-cost, heap leach copper development opportunity at Nifty provides a clear path to early production. The Company is well funded to execute its strategy.

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Contact Details

Euroz Hartleys Limited +61 8 9488 1400

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Mike Millikan - Resources Analyst	+61 8 9268 2805
Kyle De Souza - Resources Analyst	+61 8 9488 1427
Michael Scantlebury - Resources Analyst	+61 8 9268 2837
Steven Clark - Resources Analyst	+61 8 9488 1430
Trent Barnett - Senior Analyst	+61 8 9268 3052
Gavin Allen - Senior Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Research Analyst	+61 8 9488 1414

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