TRANSCRIPTION

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Operator: Thank you for standing by, and welcome to the Jervois Global Q1 2022 results investor call. All participants are in a listen-only mode, and there will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key followed by the number, one, on your telephone keypad. I would now like to hand the conference over to Mr. Bryce Crocker, CEO. Please go ahead.

Bryce Crocker: Thank you very much, and it's a pleasure to be here for what's our third earnings call since the acquisition of Freeport Cobalt now, Jervois Finland. I guess what's really pleasing, I'm here with James May, CFO, as usual, and James will be touching more on the financials. But it's really pleasing to start to see higher prices flowing through EBITDA, although albeit we're still having the rising prices over the quarter, still creating a lag effect. But certainly the first quarter EBITDA at 14.9 million on an adjusted basis, strong.

Bryce Crocker: The first month we acquired this business, as I said, this is the third quarterly earnings call. The first one as an operating company, we had owned the facility for a month, and the revenue for that month was 25 US million dollars. The quarterly turnover in Q1 averaged 35 million a month. That's encouraging. Certainly if you look at the assumptions that underpinned the acquisition, and again I've noted that in prior calls in terms of the commodity pricing and the cashflow projections that underpin that purchase price, we have continued to exceed them. And that's certainly been the case with the adjusted EBITDA just under US$15 million for the quarter.

Bryce Crocker: I think due to that, our guidance will remain unchanged. James will unpack that shortly, as we deal with our balance sheet. On the operational side, Idaho and Sao Miguel are both progressing well. We remain on track for Q3 commissioning at ICO, at what will be the only the only cobalt concentrate and cobalt mine production in the United States in a very long time, which is exciting. For Sao Miguel Paulista the initial partial restart study was released this morning. Again, it's a start, but it's an encouraging start. Low capital, and we're moving toward closing, Im currently in Sao Paolo, and we're looking forward to moving forward with closing the acquisition and restarting that facility, which will be the only Latin American nickel cobalt refinery, once it's operating.

Bryce Crocker: And I guess finally, I've been pleased with the way that our shares have traded. I think the entry into the FTSE All World & ASX 300 were very important events for the company. For liquidity and the introduction to shared registers and a new pool of owners is very encouraging. It's certainly a personal highlight as I look at the support that we've got now across equity capital markets and across a breadth of investors that we just simply didn't have 3, 6, 12 months ago.

Bryce Crocker: If we turn to the next slide, please, to slide number five, and to Jervois Finland specifically. Cobalt market continues to be healthy. Obviously the pace of rising prices has moderated over the quarter, and there are headwinds. We've got COVID restrictions in China, which many of you will be familiar with, which are having a significant impact on economic activity in some of the main industrial regions of the country. Russia's invasion of Ukraine, in addition to their humanitarian consequences, has created significant dislocation in commodity markets, including supply chains. And I guess something that many of our peers on the trading side will touch on in their own, to the extent that they're public, in their own earnings will be on logistics. And what's happening on the supply chain is quite profound. And if you look at our Q1 results versus the prior year, you can start to see that flowing through the sales volume that was 1,446 tonnes for the quarter. The production volume for the quarter, was a couple of hundred tonnes south of that, and we're not immune to the logistical challenges.

Bryce Crocker: That's not only from Africa, including mine sources in Africa getting out of inland countries out through South Africa, shipping, which you'd be familiar with, but also from Kokkola to customers. And then the logistical situation everywhere is just extraordinarily stressed right now. So that did have an impact in Q1, albeit obviously we're in a situation where cobalt last finished the quarter almost $40 a pound, which is clearly an improved outcome over prior quarters.

Bryce Crocker: If we move onto slide number seven please, so I'll just touch on the marketing in a little more detail. Stepping back, the US and Europe, despite the geopolitical turmoil, remain strong in terms of our customer base. Japan is moderating. China has obviously, essentially stopped to a large extent. So there is a disconnect right now between what you see in western versus eastern markets, metal prices outside of China we're seeing are holding at around $40 a pound. We've heard reports of material being moved in China and out of China for up to $5 a pound less. Hydroxide payables are slipping down as China has been looking to release inventory, as their production and sales downturn.

Bryce Crocker: And to reiterate I guess with the three components of the business, chemicals, catalysts and ceramics, powder metallurgy and obviously batteries, we selectively choose to participate in these industries in a way that maximises margin. And we continue to do so. We've been longstanding suppliers to many blue chip Fortune 500 companies across these industries for decades. In terms of what we're seeing on the CCC business, first of all copper electrowinning is obviously very, very strong. Just look at copper prices. Oil and gas is clearly on the rebound with prices where they are as a result of some of those geopolitical disturbances that we spoke about. That's expected to support hydro-desulphurisation catalyst switch out. Pigment industry in Europe is under pressure due to the supply chain. And every [unaudible] industry broadly is under pressure but the pigment industry in particular.

Bryce Crocker: But overall, if we look across the CCC business, the business is steady. We're moving the units [inaudible] on the price side that we have less units to take advantage of some spot opportunities to what we would've otherwise but certainly strong with CCC. But certainly a stabilisation, what we did see in Q1 on the cobalt market was moderation of the rise in price and demand. And obviously China is a big part of the market that's had a significant switch with their zero COVID policy.

Bryce Crocker: On the powder metallurgy side, I mean to touch on aerospace here, because people do forget how important aerospace is to the powdered metallurgy business. The customers that we have there, I mean they're in a position now where they're looking to have to switch out orders, switch out melts to other industries, to other customers, because aerospace is bouncing back. It's obviously bouncing back off a low base, but it's bouncing back strongly. Oil and gas again on the powder metallurgy, drilling, et cetera, strong. Automotive, variable. The semiconductor supply chain issues, they're not resolved by any stretch. So in some customers, we're seeing relatively un-impacted demand. In others, there's a degree of variability.

Bryce Crocker: On the battery side, batteries will be steady in terms of the volumes that we're moving in. Clearly the sentiment is strong. This is a part of the business which, again, the level of demand is certainly increasing. The inquiries that we're getting here are strong, certainly far in excess of what we selectively choose to supply to this particular end market. And this is certainly an element of strong growth in the future that we'll be looking to both tactically and strategically in terms of how we can obviously expand our business there in a sensible, economic way over time. If we can move to slide eight, and then I'll pass over to James to start running through the financials, please.

James May: Thanks, Bryce. So turning to financial performance on page eight summarising some strong financial results for Q1. But not withstanding that, there are emerging headwinds which were very much the current focus of business for the remainder of this year. Starting on the revenue side, as you can see the chart, really good momentum, shown by the four successive quarters of sales growth. And that growth, as Bryce indicated, us underpinned by both rising prices and also solid performance in terms of sales volumes through that period. And turning to costs, as indicated, we've got lower realised feed costs in the P and L during the quarter. This was really the result of a net drawdown of raw materials inventory. The inventory comes across from the balance sheets in the P and L at an average cost. And because we buy materials at prices linked to the cobalt price, that in periods where inventory has declined, but cobalt prices are going up this has a favourable impact on margins. The benefit was partially offset by some adverse impacts consistent with what we've seen in prior quarters where the price has moved up aggressively.

James May: Those impacts manifest in the form of a revenue lag as a function of the way we price sales contracts and obviously knock-on effects on open purchases. We pretty much see these as temporary and transitional effects that happen when the cobalt price increases. And again, we've included some illustrative analysis in the appendix to the presentation to assist with the modelling of those impacts. Overall, strong results and healthy illustration of the margins the business can generate. However, we do face several headwinds.

James May: While the direct impact to the business from the Russian invasion of Ukraine has been relatively limited, there's a small number of consumables where we've had to move to identify alternative supply. As Bryce indicated in his summary of the market, some of those indirect impacts are intensifying. And there's risks around both cost and inflationary pressures and supply chain reliability. And managing and addressing those risks is really becoming the key focus of the business for the remainder of the year.

James May: If we can turn the page to page nine on EBITDA guidance, overall EBITDA guidance is unchanged for the year, into the 50 to 55 million EBITDA range. And that's based on actuals from Q1 and a Q2 to Q4 cobalt price of 39.75, which is close to where the spot cobalt price is today. Relative to the guidance we issued in January, a favourable benefit of continued rises in prices and the positive impact for the remainder of the year is offset by the effects on EBITDA that we see when prices rise, as we indicated just a moment ago. And also downside risk on sales volumes, a lower guidance on sales volumes pretty much linked to the risk of logistical world supply chain interruptions that we just spoke about. And as noted, we'll continue to focus on managing those risks through the remainder of the year.

James May: Just turn next to page 10 on working capital. Our business in Finland continues to be underpinned by over 100 million US of working capital, which is concentrated in inventories. We saw a net increase of approximately 10 million US in the quarter, in particular because we purchase cobalt intermediate products on a pricing basis linked to the cobalt price. It means that, as prices go up, so does our working capital needs that the business requires. So in the quarter, we saw an increase in working capital due to price increases and the flow through effecting to inventory and also receivables. And that was partially offset by a net draw down on inventory volumes. So we continue to fund working capital movement in a capital-efficient way. Through the debt facility we have with Mercuria we drew down 17.5 million US dollars from that facility in March, which meant it was fully drawn at that day. That helped fund working capital and leaves sufficient cash on the balance sheet at 31 March to provide us with financial flexibility in Q2 in the face of continued market uncertainty. Bryce, back over to you.

Bryce Crocker: Thanks, James. If we move to Idaho so, as you can tell from the overhead, we've got a lot going on. We're taking the some of you on the line to site shorty with the visit, which we're excited to be hosting. Progress is good. Certainly if we start on the ground and in the mine is advancing. Both the east and the west portal, we're in a position now where we're starting to begin the decline, so the advance is downhill. On the surface, much of the equipment that's now up on site in terms of long lead order items market which still needs to come up, probably at about 20 out of the 30 accommodation modules up. We're waiting on the kitchen, so this is in relation to the camp. The filter pressers will be coming up later in the year. But aside from those, the majority of the rest of the equipment is now up on site, ready to be installed. As you can see, the crushed ore bin, which is the cylinder object just in front of the concentrators, the crushing shed at the back there in the green, that's complete. Most of the teams worked across the course of the winter.

Bryce Crocker: We talk about having 30 staff. That's really an owner's team. There's about 100 people on the site on any one given day. Weather conditions have been, as you would expect at 8,000 feet, variable. But we've been able to operate safely and effectively. Mike Romaniuk, the Project Director who used to run Sudbury Basin for us at Xstrata. He's done a fantastic job, and Matt Lengerich as well, setting up the owners team, and really setting ourselves up for success, has been very positive. Much of the building infrastructure is now in place. The water treatment plant is fully commissioned and tested. Certainly we're now looking at switching across and really ramping up underground development. We've got some drills now in place, so we're drilling underground. That commenced both to drill ahead of mining, to understand ore body variability. And also in relation, we're also looking to initiate some surface drilling, which will commence in a month or two, once a rig relocates.

Bryce Crocker: And certainly the initial mine life based on the reserve associated with the 43-101, there's only seven years. We strongly expect that we can expand that, and it's certainly a big focus of what we're going to be doing across the year, both underground and from surface. James will talk a little bit, or we have spoken a little for the round of financing. You've got the first bond, which has drawn down second tranche due mid year, a little later. And certainly, progress at site is going well. The accommodation plant, accommodation facility is going to be important, got to be in place around mid year. And that'll certainly allow the productivity to ramp up as we move towards commissioning in September or, kind of in Q3, with the opening ceremony in September, which again is quite exciting for the United States to have its only cobalt mine in generations.

Bryce Crocker: If we move onto the next slide, please operator. So Sao Miguel Paulista, I mean I'm really excited by the opportunity Sao Miguel represents, because I think this is an example of how we can add genuine value. This is a facility that we're purchasing for 125 million reals. The consideration is event based. It's staggered out to an outside date of June 2023. We're essentially restarting a facility for a fraction of what it would cost to construct a new facility. It's a proven facility. It's operated before, and I think the approach that we're taking to this initial restart is the right approach. Low capex, so you're talking 55 mil capex to restart based on materials that the facility has processed in the past. So it's a lower production rate than in the past, 10,000 tonnes of nickel sourced via MHP and 2,000 tonnes of cobalt sourced by cobalt hydroxide, the same raw materials that the trading group are taking through Kokkola.

Bryce Crocker: And what I like about this restart is it's moderate capital, that you're talking pretax NPV of 225 to 230 , pretax nominal IRR approaching 50%, 47, post tax 35, post tax 140 NPV, and that's at $8 cobalt [sic], sorry $8 nickel and $25 cobalt. And again, I think it's appropriate to plan prudently in terms of how we publish long-term prices that underpin studies. But this facility with 12 months from production, and you don't have any elevated pricing in those early years in the economics. And I think certainly it's difficult to forecast prices these days. Our team have traded nickel for a long time. If anyone tells you what they know the nickel price is going to be in three months, then I'd suggest that's misleading. Market right now is very difficult to project. But we've got a high level of confidence that the next three years, we're going to see elevated pricing on both commodities, which is going to underpin the restart here in a way that wouldn't have perhaps done under a lower price environment to really repay that capital faster than we potentially have forecasted in the BFS.

Bryce Crocker: So this is certainly, it's something that they're moving forwards with. It'll be integrated ultimately with Idaho. The team is working on the autoclave and how that will slot in. But I think moving forward quickly and opportunistically, to restart the facility in a low risk way and integrate it with ICO over time, as ICO comes down from Idaho. That's going to be a sensible approach for us moving forwards. The ultimate aim is to restart Sao Miguel at 25,000 tonne capacity. I'm certain that's something that we're working towards, but equally I'm a big believer in de-risking and investing capital in a measured way. And this is something that I think is an excellent balance. And to be frank, it's really that the current market provided an opening for this scenario that perhaps wouldn't have been there. Even though the economics are good at $8 nickel, $25 cobalt, certainly once you start running more elevated prices during the early years, it's strong. And so this is something that we're excited by and pleased to have the feasibility study out. I'll pass back to you, James, to finish up with corporate.

James May: Yeah, thanks, Bryce. So on page 18 [sic], you'll see the cash reconciliation chart from the quarter. We opened the quarter with 49 million US on the balance sheet. You'll see the positive EBITDA contribution there coming from Jervois Finland and some net out of costs elsewhere in the group. And then that change in working capital that we spoke about earlier, the capex spend predominately in ICO financing, other costs reflected there in the red bars on the chart. We then drew down the first tranche of the bond from the ICO. As indicated at the time, we satisfied the cost to complete tests, drew down that money to continue the funding for the development of ICO through the course of this year. And then the final bar there, you'll see we drew down the Mercuria facility, as previously indicated, 17.5 million. So that leaves us with 88 million US on the balance sheet, and debt facility is drawn debt at around 125 million across two facilities at the balance sheet date.

James May: And really when we sort of look at that, we've got a portion of that remains dedicated to ICO development that's sitting in Jervois Mining USA, our North American entity. And the balance there required to run the business, to ensure we've got the right level of financial flexibility to meet various scenarios ahead of us in Q2 and Q3. So that's the summary of the financial cash position for the quarter.

James May: If I just sort of summarise, a couple of other points, I think overall if you take a step back and look at our financing strategy, it's really quite balanced. And I think we are harvesting the benefits of a robust strategy, where we've got both the longer-term debt for development purposes, ICO. That's pretty much going according to plan in terms of the progression and the use of those proceeds and the Mercuria facility, which really is helping us meet that working capital requirements in the face of higher cobalt prices. And worth noting as well that that Mercuria facility, it has an Accordion feature. There's an uncommitted additional tranche there of an additional 75 million that's potentially available by agreement and consent with Mercuria that would increase that facility and continue to provide flexibility if prices continue to move up.

James May: And then finally, in terms of wider corporate activities, we have continued to operate with a lean corporate centre that one is very much focused with dedicated expertise across various domains. And a very busy quarter. We've made very good strides in terms of continued build out of the operating backbone of the Jervois Global platform right across technical, commercial, business support systems the whole sort of spectrum and [sic] really pleasing what we've done to take strides to not only developing at our assets at the individual asset level but really providing that fit for purpose backbone that will help steward Jervois going forward as a truly global operating company. I'd like to just pause there and, Bryce, hand back to you for any closing remarks before we take Q and A.

Bryce Crocker: I guess just on the reference to an operating company, I think clearly a lot of these results is a heavy focus on Jervois Finland and the Kokkola complex. And clearly it underpins, it significantly underpins who Jervois is today. But who Jervois will be shortly, we'll be commissioning what we will envision will be two other businesses, operating businesses generating cashflow in Idaho and Brazil. Clearly Idaho is very proximate. Brazil is also not that far away in the context of timelines associated in our industry. And I get excited about the fact that we'll shortly have three cashflow generating assets. And we'll be up here talking about earnings in a way which is just more diverse, more robust, not detracting from anything that obviously is underpinned by Jervois Finland results, which is very encouraging. And I think if we look clearly, we live in a geopolitically complex world. It's the regionalization of supply chains. It's real. Certainly I'm regularly talking to politicians in each of the United States, Europe and here in Brazil as well.

Bryce Crocker: I'm here this week. A number of our meetings are taken up with at their request to talk through critical minerals in supply chain cooperation with like-minded allies. And certainly Jervois is proud to be playing our part in a meaningful way, and supplying units today into each of these markets and certainly looking to expand our presence moving forwards.

Bryce Crocker: Clearly it's always good to have quarterly results when you've kind of got a macro tailwind albeit, unfortunately, some of the commodity turbulence has been caused by quite horrific events. But certainly as it pertains to cobalt, the market is overall strong. We're not getting pushback from customers at this price. We're not getting substitution at this price, and I think that we're in a good space. And certainly if we look at the opportunity, that Kokkola represents for Jervois moving forward on the doorstep of Europe as being an established facility as they look to ramp up their electrification then we feel as though we're really well placed to do likewise from our side and play a meaningful part in both how Europe looks to solve some of its challenges and also as the United States looks to do likewise.

Bryce Crocker: In terms of the company, and again I'm proud again of the quality of the team and the work that's gone into these results and the calibre of the individuals and their work and the dedication that's really going into what we're looking to create. And we're really excited to be moving forwards. So I'll pause there and open it up to questions, Operator.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speaker phone, please pick up the handset to ask a question. We'll now pause momentarily while questions register. Your first question comes from Fredrik Stene from Clarkson Platou Securities. Please go ahead.

Fredrik Stene: Hey guys, nice to be on the line here and see recent progress. And congrats on the BFS here. I think I actually wanted to focus a few of my questions on SMP here and the new report. So just given your comments on what's happening in Finland with certain supply chain issues and just, well, supply chains in general being a bit strained globally, do you think in terms of the timeline around SMP and your capex estimate, startup estimate, et cetera, that that could be impacted in some way by what's happening on the supply side at the moment? Or does report already take that into account?

Bryce Crocker: I don't believe so. We've finalised, and this part of the study, was really initially completed in Q4 last year. We made a decision to update that just recently as part of this public release. So it's been reviewed very carefully by Ausenco. A large part of the manufacturing component is obviously being sourced domestically within Brazil. We're restarting the facility, so this is a refurbishment. And that's where the level of risk is quite different.

Bryce Crocker: For example, if you talk about the stage two full restart, then that involves long lead items such as autoclaves. It involves potentially pieces of equipment that may not be able to be fabricated, that we may choose not to fabricate in Brazil. For the restart of the facility, there are modifications associated with additional impurity removal capacity to allow us to process a mixed hydroxide product, the MHP. But in terms of the complexity of those, no. I mean I think that we're very confident that this is a rapid brownfield restart.

Bryce Crocker: I can tell you that the Brazilian team that have operated the facility in the past is that they think they can do it much more quickly than what is ultimately being signed off in the BFS. Now I think that what we've got in the BFS is robust, and we can stand behind it and have confidence in it.

Fredrik Stene: That's very helpful. And just on the permitting side with relation to transaction close, et cetera, you're also confident that that part will be done and completed within the communicated timeline here?

Bryce Crocker: I believe so. It's obviously been frustrating for us and frustrating for investors, that we haven't closed the acquisition, we would have like to be invested already. But equally the CP is there for a reason. A number of my meetings here this week are around that. There is progress, and ultimately we remain confident that closing will occur as forecast.

Fredrik Stene: Yes, super. And just actually a confirmation here, because my line was a bit noisy earlier, just in terms of the guidance in Finland, does the new guidance, that also takes into account some sort of cost inflation, or sorry, tongue twister. But that's also taking into potentially increased costs on the supply chain, given your kind of comments around the market, et cetera. Since the price is higher, one was a bit lower, of course, but seems to be a cost element there as well. Is that correct?

James May: Yeah, I can take that one. We did the update based on that updated internal forecast that then accommodates a range of factors. The big buckets really are benefit of higher prices then offset by some of the transitional effects that we spoke about on EBITDA as prices go up, a bit adverse to sales volumes and underpinning forecasts is also certain cost updates, as you refer to.

Fredrik Stene: Okay, perfect. That's all from me, guys, have a good day.

James May: Thanks, Fredrik.

Bryce Crocker: Thank you, Fredrik.

Operator: Thank you, sorry, thank you. Your next question comes from Andrew Hines from Shaw. Please go ahead.

Andrew Hines: Yeah, hi, guys. Thanks and well done on what looks like what a good quarter. It's actually better than I was expecting, and I just wanted to unpack that a little bit. We have the 14.9 million EBITDA from the first quarter. I must say, I was expecting to see that impacted again by those revenue lags that you were talking about in the previous quarter, as the lag between buying product and selling product in a rising price environment impacts EBITDA. And given that the volumes were down, it looks like that impact of drawing down the inventories has had quite a positive impact on the EBITDA number. And I presume that means, James, this is probably for you, that in coming quarters, you're going to need to rebuild those inventories and probably at higher prices in terms of feed stock pricing. So I'm just wondering if you can just give me a little bit of guidance on how to think about that for the next couple of quarters. Are we going to see, perhaps near the second quarter, coming in a little bit lower as you go and rebuild those inventories?

Andrew Hines: And then a bigger picture question around that for you, perhaps, Bryce, is you talked about the supply chain problems and the problems of sourcing material and I suspect that's part of what's happened this quarter. How does that make you think about sourcing feed stock for SMP? And when you start up at the 10,000 tonne production rate, how are you locking in material to feed that refinery? And what sort of pricing are you expecting to be able to, you know, are the payability rates still elevated? Is that going to be an issue for you, getting sources of material? And does that then start to make you think about wanting to lock in your own sort of dedicated supply of upstream resource for that?

James May: Yeah, Andrew, let me start. Yeah, look, I mean the point you highlight is exactly why when you take the quarterly result of 15 million and times it by four, you obviously get to 60, which is higher than the 50 to 55. And we've already sort of talked about a couple of factors that underpin that. But again, one of those factors as we wait for that forecast update is a lot of what you described, which is, there's some periods, what we draw down inventory. There's some periods where we build inventory throughout the year. And that is sometimes a factor that can create some unevenness in the distribution of EBITDA. So I think the short answer is yes, think about all those factors as you just get your head around the coming quarters and how that can play out.

Bryce Crocker: And as it's on the question with regard to Sao Miguel, clearly supply chains are stressed right now. But it doesn't mean that units aren't available. There are units flowing, but they're just taking longer, and it's less predictable as to when they'll arrive. And the cost of getting them there is more challenged, but certainly the commodity markets, particularly in nickel and cobalt, the flows haven't shut. And so as we look at Sao Miguel, and clearly there's, in terms of restarting on cobalt hydroxide, I mean we're running a book of around 6,000-tonnes of purchases today. So another couple of thousand tonnes there, I'm certain there's in relation to Greg Young, Wayde Yeoman and Klaus Wollhaf [inaudible] the market is there for additional cobalt hydroxide, and certainly to have additional cobalt hydroxide being converted into metal outside of China is advantageous in context of US supply.

Bryce Crocker: On nickel, on MHP, again there's a number of established suppliers, and we’ve been quite transparent in public about where the MHP was sourced from historically this facility processed, Goro, Ravensthorpe, et cetera. So those will certainly continue. There's a number of others. The commercial team has paused commencing detailed negotiations because of the elevated payables. And we've used 75% payable in the studies. That's typically consistent with the commodity price that we’ve also used.

Bryce Crocker: Payablility today, I've mentioned that hydroxide has been ticking down. It ticked down from 90, maybe, to the high 80s, some trades getting down into kind of the mid 80s coming out of China. MHP is still operating at around the 90%, but we’re obviously talking about 90% at a different price. And you're also talking about high 80s at a different cobalt price. And so that's really the window that we've got, the opportunity that we have, that kind of wasn't there when we had high payabilities at lower prices. And again, we all are reluctant to speculate on pricing, but on balance as I sit here and look at the prices that we had forecast as $8 and 25, I feel confident that over the next three years that the facility is operating. They're more likely to be above that than below.

Bryce Crocker: And so I think that now that we've got the study out, and clearly we're not going to contract material, although we've got flexibility, particularly with Kokkola and an ability to divert material until we get to a closing and the facility’s “ours” we're not going to be looking at the hard contracts but the commercial team is active. They're kind of talking to everyone, as they always do. And looking at partners in terms of how we restart the facility is important. And it's, again, it's a different structure that what we're talking about with stage two. So stage two, 25,000 tonnes, obviously the capital will be higher, and the volume of nickel will be larger. So for something like that, then you need to have a degree of contractual tenor and visibility and confidence that extends a number of years. And that can also extend into your other preliminary question on vertical integration.

Bryce Crocker: So a restart like this, I mean $55 million is $55 million. So you don't sneeze at it. But equally in the context of where Jervois is today and in the context of potential margins we can make and the confidence that we have in the metal price outlook in the next year or two and in the level of risk that involves in restarting the facility essentially identically to how it operated successfully for 30 years, it's a different risk proposition. And I think that's the right approach.

Bryce Crocker: And now that we do have, as soon as we do have definitive visibility on timing, then the commercial team will be able to sit down and negotiate those arrangements with more rigour. And on vertical integration, I think we've had this discussion. You can lock up supply into a business, a refinery business either contractually, or you can do it through ownership. We've chosen to do it through ownership, for example through Idaho. We also have an ownership of a potential supplier, albeit long debated, with Nico Young in Australia, the laterite that most people have kind of forgotten but it’s still part of the portfolio. And it really comes down, I'll say I'm agnostic. I mean I think that in terms of where we've taken the company, I do look at us as a specialty chemicals company that's selling a high-value manufactured product that's going into a kind of a high grade sector and any of these and speciality chemicals. But equally, vertical integration, we're not averse to it, provided it makes sense at the right time for our shareholders, and that obviously includes us.

Andrew Hines: That's great. Thanks, Bryce.

Operator: Thank you. Your next question comes from Tim Hoff from Canaccord. Please go ahead.

Tim Hoff: Hi, guys, thanks for the question and congratulation on the result today. I'm just wondering, at SMP with the capex number there, is here a proportion of that that is actually going through and doing work, that's going to cover some of the stage two capex? And I guess is it, or is it sort of staged inside the plant, that you can do stage one and then stage two, and they're two discrete sort of bodies of work?

Bryce Crocker: So we're refurbishing the entire facility as it was. So it is a 25,000 tonne nickel refinery. We're refurbishing it to 25,000 tonnes of capacity. But when we put through MHP as the feed source, there's a different quality of feed source versus the nickel carbonate that the facility processed. And so we've taken a conservative approach. So the assumption that we've landed on with regard to mass balance and impurity removal capacity is 10,000 tonnes. Now clearly once we're in operations and I’ll be putting pressure on the operating team subject to not having consequences for the Tocantins product and the quality of that as we look to reestablish key markets is to push that. But the facility itself will be the capacity of the refinery, which will be fully refurbished.

Bryce Crocker: What we won't have the capacity to do and the ability to do is to process sulphide-based concentrates. That's linked to an autoclave, which is then linked to the subsequent BFS study or parallel BFS study that Michael Rodriguez and Rogerio Cannoni are still residing in Canada, supervising the testwork currently as it pertains to an autoclave.

Tim Hoff: Okay, thanks. And in terms of timing in 2023, is this a front half or a back half, just given there is some work to do there around getting some of the longer lead items in?

Bryce Crocker: Sorry, I couldn't ... The phone lines must have dropped out. And so could you just repeat the question in terms of the half? I didn't quite catch that at from the end, sorry.

Tim Hoff: Yeah, just looking at the restart timeline for 2023. Is this more a second half story or a first half?

Bryce Crocker: It'll be 12 months from when the Board approves capital investment decision. So obviously we're not going to approve capital until closing is confirmed, and we've got a date there. But then it's 12 months from there. As I said I think the timeline there is achievable. Certainly that's the perspective of the local management team here in Brazil.

Tim Hoff: Fantastic, thank you very much. I'll pass it on.

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question comes from Mitch Ryan from Jefferies. Please go ahead.

Mitch Ryan: Good morning all, thank you for taking the question. I guess the EBITDA and SMP have been well covered, but my question was more of a high level. There's been significant disruption to the functioning of the LME nickel market. I'm just wondering if you were seeing a broader impact on liquidity or price discovery in the cobalt market as a flow-on from that, or if there's been no effect whatsoever.

Bryce Crocker: Very little effect, I mean nickel was obviously subject to its own nuances, and I think one of the ... I've spoken around the challenges of trying to predict near-term nickel prices. I think I'm actually much more confident of having an $8 long-term forecast in the model than what I am of trying to predict what the model should have on years one, two and three right now. But as it pertains to cobalt, we're not seeing ... And that was a concern on the part of customers, where the nickel was suspended, and you had prices going stratospheric, because clearly there is a degree of substitutability between the two, particularly on the alloy side of the business. But there wasn't really that. Fortunately there wasn't really a disconnect. The cobalt market has continued to function normally, which is positive both for us and for the customer base.

Mitch Ryan: Thank you.

Operator: Thank you, there are no further questions at this time. I'll now hand the conference back to Mr. Crocker for closing remarks.

Bryce Crocker: Thanks very much. Again, as I think I've said, I'm pretty excited. It's a positive quarter. Pleased with the momentum we have and look forward to returning in quarters to come to give you an update on progress. I'm pleased that what we hope is that we've demonstrated that the team that we've assembled, Peter and I, are delivering quarter by quarter. And we hope to demonstrate that and confirm it to you in the quarters and years to come. Thanks, thanks for dialling in, everyone.

Operator: Thank you all for participating. That does conclude our conference for today. You may now disconnect.

[END OF TRANSCRIPT]