



TRANSCRIPTION

Company: Jervois Global
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[START OF TRANSCRIPT]

Operator: Thank you for standing by and welcome to the Jervois Global Q1 2023 Results Investor Call. All participants are in a listen-only mode. 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, Chief Executive Officer. Please go ahead.

Bryce Crocker: Thanks Ashleigh, and a pleasure to be here today with James May, Chief Financial Officer. Clearly this has been an extremely challenging quarter for us, Jervois, and all other shareholders.

Part was outside the Company's control, namely a continued weakness in the cobalt price, which has now fallen into the US\$15 per pound range, a 40% decrease from the US\$25 per pound at the start of November 2022. Today's cobalt price is also US\$25 per pound lower than a year ago when we were touching US\$40 per pound.

Part was within the Company's control however. We disappointingly failed to manage a hyperinflationary construction environment in a remote location in the United States as well as we should, and also failed to structure legacy contractual arrangements into our Finnish refining and advanced cobalt manufacturing business as aggressively as we ought to have, prior to the 2022 downturn.

Today's presentation will be in a different format so we can appropriately focus and address equity market concerns. In particular, James will spend time today



discussing our balance sheet. The current focus of Management is to ensure that Jervois has a viable, sustainable and financed pathway to ride out this trough in cobalt prices.

To summarise, we ended the quarter with US\$50 million in cash, and US\$66 million in physical cobalt inventory. Our debt today remains the same as at quarter end, with US\$100 million in the United States due mid-2026, with no amortisation prior, and US\$70 million drawn under the US\$150 million Mercuria facility.

Whilst the above circumstances, both macro and operational, mean that our balance sheet is not as robust as we would like, equally Management believe the current share price does not reflect the Company's situation. Certainly Jervois' equity value is disconnected from debt markets, where Jervois' bonds have been well supported.

I believe there is an underestimation of the key strength of relationships Jervois has established with its major shareholders, lenders and commercial partners. The relationship with Mercuria, one of the largest commodity trading groups globally, continues to be a key differentiator. We are pleased to have seen Mercuria recently buying shares on-market to increase its shareholding to slightly less than 10%.

Idaho has been suspended, and final negotiation with contractors on appropriate responsibility for the cost escalation continues. Idaho Cobalt Operations, or ICO, is no longer a drain on cash resources, as we complete the pivot to a cost effective suspension mode until prices recover. Demobilisation at ICO has been completed and most importantly, it's been done safely and in compliance with our environmental obligations. Our focus, and the team's focus in Salmon, is now turning to positioning to be prepared for a restart when cobalt prices do recover.

While the suspension at ICO due to the low cobalt price is disappointing, we are confident on future pricing trajectories of the commodity. When it does recover, Jervois is also working alongside the United States Government, with the Department of Defense, and now EXIM taking initial steps towards meaningful support to secure the future of America's only cobalt mine.

São Miguel Paulista, or SMP, has been slow. Let me be clear, there is no intent to raise parent level equity to restart São Miguel Paulista. Debt and partnership funding options at the asset level continue to advance, with the data room open and initial proposals received. São Miguel Paulista remains an exciting and important growth opportunity to be implemented at the appropriate time.

The Companhia Brasileira de Alumínio, or CBA, the Brazilian company who sold us São Miguel Paulista, has also supported our 12 month deferral to June 2024, the final acquisition payment. Previously Jervois was to pay 62.5 million reais, or approximately US\$12.5 million at current exchange rates, this June.

Turning to Jervois Finland. Despite the low cobalt price, the site has generated positive cash flow and is expected to return to positive EBITDA from this month. For Q2 at current cobalt prices cash flow is expected to grow significantly. James will talk around our legacy inventory position, how this is now behind us, with the business now restructured, stabilised, meaning it is capable of supporting Jervois' capital structure and operational footprints elsewhere.

We have also implemented changes to strengthen the Management depth at Jervois' Team at Kokkola, with the hire of a new CFO and also a Production Director with a long history at a neighbouring and sister facility to São Miguel Paulista, the Harjavalta nickel cobalt refinery, also in Finland.

I will now pass to James who will touch on additional steps we are undertaking to strengthen our balance sheet, and to ensure we can robustly absorb this period of low cobalt prices.

James May:

Thanks Bryce. We have been working hard to reset the Jervois Finland business after a very difficult 2022. Pleasingly the business has firmly turned a corner in Q1 and generated positive operating cash flow before interest payments of US\$1.3 million in the quarter. With the outlook for Q2 improving, as just outlined by Bryce.

This result is an outcome of steps taken to stabilise the business, and the delivery of working capital improvements executed in the quarter. As indicated, continued cash generation is expected to accelerate and grow significantly from Jervois Finland in the coming quarters and we expect to use that cash to support the funding of our wider business needs in 2023.



Cobalt prices were down from US\$18.80 at Q4 2022, to US\$16.30 at the end of March. Declining prices across the last two quarters impacted the pace of repayment on the Mercuria loan, and that resulted in the utilisation of US\$45 million in cash in Q1 to meet repayments, reducing the Mercuria loan balance to US\$70 million at 31 March.

We are continuing our plans to pursue a disciplined approach to inventory reductions. Physical cobalt inventory reduced by approximately 350 tonnes in the period, equivalent to 20 days reduction and moving us closer toward our target range of 90 days to 110 days. Cost reductions have been implemented across all sites and as Bryce noted, most significantly at ICO with the rapid demobilisation of the project being executed through April.

As noted, the inventory reduction program and wider improvements in Finland are continuing. As part of our approach to ensure we have the financial resilience to navigate this part of the cobalt price cycle, and as Bryce indicated, we have support from CBA for a deferral of our final acquisition payment on SMP from June 2023 to June 2024 and we have initiated the sale process for the Nico Young Nickel Laterite Project in New South Wales, Australia.

As noted, the SMP restart project has been slowed while we pursue debt and partnership funding options. This is an appropriate improvement pathway for SMP. I should also reinforce at this point, that we do not intend to raise parent level equity to fund the development of SMP.

Overall the actions we have taken within the business, particularly the turnaround that is underway at Jervois Finland, the decisive action we took to suspend ICO in the face of historically low cobalt prices, as well as the supplementary actions we have taken to support the balance sheet, are equipping us to navigate this part of the cycle. We will continue to have an unrelenting focus on maximising cash flow from our business, and managing downside risks as we look forward.

Turning to the next slide. So in terms of the outlook for 2023, our sales volume guidance for Jervois Finland remains unchanged. While the current quarterly run rate and the strong performance in the quarter imply trajectory at the high end of the range for 2023, we are prudently maintaining the current guidance range to take account of uncertainty and quarter-to-quarter fluctuations in sales that can occur based on historical trends.

Our inventory reduction plans are in execution, and we reinforce our prior guidance that we expect to achieve a reduction to the target range of inventory days between 90 days and 110 days by the fourth quarter in 2023.

Final forecast project costs for ICO up to the point of suspension, and including the demobilisation that's occurred in early-Q2, totals US\$155 million. The estimated monthly costs while ICO is in suspension mode are estimated at approximately US\$1 million a month, with achievement of that run rate in late-Q2. Costs for that suspension period are focused on environmental compliance and maintaining asset health to preserve restart optionality. Detailed restart scenarios and planning is underway to put ICO in the best possible position for restart once the market recovers in due course.

At SMP, while the project has been paused, the total forecast project cost remains the same at US\$65 million. While the restart project will not be immune from inflationary pressures and execution risks, the engineering and procurement activities we have completed in the first quarter has continued to reaffirm that the estimate remains balanced at this point. We estimate the monthly site cost at SMP sits at US\$0.5 million. First production is forecast following 12 months after full reactivation of the restart project, which is now expected once we have a confirmed funding pathway for the project.

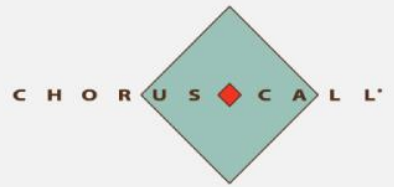
Now Bryce, I will turn back to you to summarise.

Bryce Crocker:

Thanks James. So in summary, clearly a challenging market. But I am confident in our ability to rise to the occasion and manage effectively. Jervois Finland is turning the corner and we look forward to relegating the EBITDA losses in recent reporting periods behind us. The business is forecast to be generating strong cash flow across 2023, even at these cobalt prices.

We continue to take proactive and prudent steps to manage the balance sheet, as outlined by James, whilst also ensuring that the future growth and commodity price upside that we have created within Jervois is retained for when the market recovers, in which we are confident.

I'll just close just with an observation on the cobalt market. Cobalt's not dead, cobalt's not disappearing, but cobalt is cyclical. We are in a downturn, but downturns don't last forever in commodity markets. Especially those that are forecast to become structurally constrained and stretched. The last year has



seen a perfect storm hit the cobalt market. However EV demand growth for cobalt continues to meet or exceed expectations, with double-digit compound growth forecast in cobalt demand well beyond 2030.

These forecasts are consistent with what our commercial team are seeing via inbound OEM automaker sulphate order requests. With requested tender volumes rising sharply from the start of 2024.

Ashleigh, I'll close here, and I'll open it up to questions. Thank you.

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 are on a speakerphone please pick up the handset to ask your question.

Your first question comes from Avik Barat with Tor Investment Management. Please go ahead.

Question:

(Avik Barat, Tor Investment Management) Hi guys. The first question is on the timeline of the ICO construction announcements. We saw that there was an announcement on March 16 saying that you're nearing the completion of construction of the ICO. Then you're going to reverse that and suspend construction on March 29. So what we are struggling to understand is, what exactly changed in two weeks? If you were that close to complete the construction of the ICO mine, why didn't you just go ahead and finish it? Albeit it might have taken whatever, X-million dollars, that you go to that final step. But we are a bondholder, with security over the ICO mine, we are a bit kind of flummoxed as to why the decision was made to stop the completion of the project when it was presumably weeks out from getting completed.

Bryce Crocker:

Thanks for the question. So I take it, there was a decision - the decision that we were having, really from January onwards, once cobalt prices fell was (a) do we finish construction and (b) if (a) is yes, how long do we commission for? I've used the example with equity investors, do we commission for three days, three weeks, or three months? Given where cobalt prices were the site will not make money.

In terms of the press releases, there's press releases for purposes with different audiences. If you look at that mid-March press release, you'll see that we were



quite clear in some of the closing statements about what would happen to the mine in the absence of government support, specifically from the United States.

The mine, we made a decision that given where cobalt prices were, the right decision was to close the facility. I am encouraged by the response with the US Government, given the DOD announcement on funding, the US\$15 million, given EXIM's notification of their intent to support. So whilst it's unfortunate that the mine had to close, we are all disappointed by that. Equally I do believe it's the right decision for Jervois. It's also ultimately I believe the right decision for America, as I have said to our stakeholders in DC.

Question:

(Avik Barat, Tor Investment Management) Okay, so to that extent, whenever - and I think I have heard you guys say, you will have these remobilisation estimates kind of ready over the next few weeks hopefully. We would like to get an independent engineer kind of going over those remobilisation scenarios to see how much more it will cost to finish the mine and then remobilise all those costs, to start operating whenever you guys see the pricing environment improved.

Bryce Crocker:

The team is working. Clearly the focus from now - well, from the announcement up until now - has been a safe demobilisation. The team now is turning, particularly with the support from the US Government and the upcoming drill program, with regard to the future - albeit the future does require a higher cobalt price. In terms of where the site was, obviously we wet commissioned the mill. We were weeks away from putting ore through the concentrator.

So clearly there will be inefficiencies with a demobilisation and a remobilisation. But we believe it was the right decision to preserve the asset. As we work through that restart work we will be updating market at the appropriate time, once we have the appropriate level of rigor. Obviously it's going to be predicated on the inflationary and the construction environment in the United States at the time.

Clearly we hope when we when we remobilise the operating environment will be different to what we have recently experienced.

Question:

(Avik Barat, Tor Investment Management) Okay, in the interim, assuming cobalt prices do not recover, what exactly does the EXIM kind of support mean? Are you guys talking about a full refunding of the bond? Assuming the ICO actually



doesn't restart. Or is that only contingent upon a successful ICO mine commissioning and restart?

Bryce Crocker: Listen, it's very premature and inappropriate for me to speculate on what the United States Government may or may not do. All I will say is, the engagement is extremely positive. I am travelling to DC on Monday. I am sitting on a panel led by Commerce and other CEOs. The United States is looking at their critical mineral supply chains very seriously. Obviously we are the only cobalt mine in the country. But it's presumptive of me to speculate on how the government will approach the potential restart.

Question: (Avik Barat, Tor Investment Management) Okay, and finally, again just given the pricing environment, what do you guys think is the consolidated, the kind of free cash flow active at this US\$15 kind of price level for the Company over the next 12 months?

Bryce Crocker: In terms of ICO, which is where your bond resides, we have been quite clear that - simplistically I have said to equity investors, the price needs to start with a 2 for Idaho to be generating adequate returns. Now the reality is the bankable feasibility study was published with a price of US\$25 and given cost escalation in the United States I would equally argue we'd want to price above that for that facility to be generating adequate returns, given it's a finite resource and a strategic resource.

In terms of our impact across the Group, I use the example in 2020 Jervois Finland made \$20 million EBITDA based on a \$15 cobalt price when cobalt payabilities were much higher than they are today. Our business can be sustainable at current cobalt prices and we've taken aggressive steps and continue to make steps to ensure that the operational sites and capital structure can be adequately sustained.

Question: (Avik Barat, Tor Investment Management) Assuming - I think you have mentioned that the ICO will have \$1 million per month costs as long as it remains shut down by Q2, and assuming Finland gets back to that \$20 million EBITDA run rate, there's obviously \$11 million of interest costs, foreseeable that the bond will have interest costs associated with Mercuria. What are the CapEx items over the next 12 months assuming this SMP, the remaining payable has been pushed out to June '24? What is the consolidated free cash



flow post all these CapEx as well as interest costs and anticipated EBITDA from Finland?

Bryce Crocker: I think in terms of Finland you need to look at cash flow not EBITDA, because cash flow will be always of a magnitude higher than EBITDA as the inventory position and these lower prices flow through and obviously there's a significantly delayed effect to lower prices in terms of how that flows through. In terms of capital, there's essentially none.

We'll now pass, Operator, to other questions. I think we've given this individual - thanks for your questions. Please feel free to reach out if you have other questions to James May directly, the CFO but let's just see if there are other questions on the line if you don't mind. Thank you.

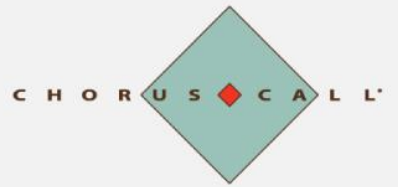
Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. I will now pause a short moment to allow questions to be registered. Thank you. Your next question comes from Ross Cameron, a private investor. Please go ahead.

Question: (Ross Cameron, Shareholder) Yes, thank you. Good day, guys. I noted the announcement around that dispute between China's CMOC and the DRC over royalties and that freeing up after ten months of banter that seems to have been resolved. It seems to me that there's going to be a lot more cobalt in the market. Can you talk to that and what the industry is saying about that and potentially the impact of that on the price?

Bryce Crocker: Sure. I think that the materials in fact that are sitting in the DRC, obviously they're well known, they're well understood. There's been an expectation China Moly has been publicly communicating their expectations of the settlement and so we don't necessarily see great change. Those units will take time, being the DRC, to flow out and we're not seeing great or significantly negative sentiments flowing through certainly in the physical market versus what was expected previously.

Operator, are there any other questions?

Operator: There are no further questions at this time. I will now hand back to Mr Crocker for any closing remarks.



Bryce Crocker: Thank you for your time. I hope I conveyed our optimism for 2023 and if there are further questions please don't hesitate to reach out to the team here in Melbourne. Thank you.

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

[END OF TRANSCRIPT]