**TRANSCRIPTION**

| | |
|---|---|
| **Company:** | **Jervois Global** |
| **Date:** | **27 July 2023** |
| **Time:** | **9:00am, AEST** |
| **Duration:** | **19 minutes** |
| **Presenters:** | **Bryce Crocker, CEO** |
| | **James May, CFO** |
| **Questions from:** | **Adam Baker, Macquarie Group** |
| | **Timothy Hoff, Canaccord** |
| | **Mitch Ryan, Jefferies** |

---

**[START OF TRANSCRIPT]**

Operator: Thank you for standing by and welcome to the Jervois Global Q2 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, CEO. Please go ahead.

Bryce Crocker: Thank you very much and it's a pleasure to be here today with James May, our Chief Financial Officer. We have the usual disclaimers on slide 2 which I'd encourage you to review and I'll move on to slide 3, just running through the Q2 2023 highlights.

We had a US$50 million capital raise which has now been completed and with the exception of the second tranche of the unsecured convertible note of US$5 million, the funds have otherwise settled with Jervois receiving the proceeds. This injection of liquidity provides Jervois with the financial strength to navigate the price cycle and ensure we have the runway to take and implement the right long-term decisions for the business in the coming year.

At the last quarterly results, we set out our near-term priorities and I'm pleased to report we made initial progress on all fronts during the second quarter. At Jervois Finland, the focus was on maximising margin and cash flow and delivering the site's return to a positive economic contribution, which US$2.6 million positive EBITDA represented. We were particularly pleased by quarterly operating cash flow generation of US$31.9 million during the quarter as our commercial team delivered on the targeted inventory reduction significantly earlier than guided.

Moving on to Idaho, we safely and cost effectively transitioned to suspension phase with our focus now on commencing a partnership with the US Government via initially drilling and subsequently a future reopening.

At SMP, the financing and partnering process continues. We've also commenced the formal sales process for the Nico Young nickel cobalt development project in New South Wales, Australia. We've received inbound interest on our other assets and continue to review with our bankers the potential of this interest.

Turning to slide 4 please, just noting the cobalt market. Normally we don't specifically focus on cobalt prices, but the recent strengthening from below US$13 per pound in early June to US$16.50 per pound today is encouraging. Forward prices are in sharp contango, reaching almost $20 per pound by the end of this calendar year and continuing to rise into the mid-$20 per pound across 2025. The cobalt alloy grade, or higher purity metal market, is driving much of this on the back of rising aerospace and defence spending.

I'll now pass across to James for him to talk around the balance sheet.

James May: Thanks Bryce. In late June we announced a US$50 million capital raise and concluded execution during July. The capital raise comprised US$25 million of unsecured convertible notes that were priced at a 40% premium to the ex-rights price issue of the entitlement offer. The second part of the financing was a US$25 million fully underwritten entitlement offer that was well supported by existing major shareholders. Funds have been received by Jervois, with the exception of settlement of the second tranche of the unsecured convertible notes, that last US$5.1 million we expect to receive in late August following the associated shareholder meeting.

The capital raise renews our financial strength and provides us with enhanced flexibility. It provides us with a platform to accelerate our financing initiatives with SMP, with potential partners able to have confidence in our financial position as we advance our process. We have taken steps to deleverage via debt repayments of the Mercuria working capital facility totalling US$21 million with payments made across June and July. The resulting loan balance of US$49 million is in a zone that is sustainable for this part of the cobalt price cycle and our inventory management plans over the next 12 months.

Jervois Finland unlocked significant cashflow in the period with cashflow from operations at US$31.9 million in the second quarter. This included release of working capital resulting from inventory reductions, optimisation initiatives and the residual working capital benefits of cobalt price declines since the beginning of the year. The cobalt inventory unwind was in excess of 500 metric tonnes as we continue to execute on the inventory reduction program. The decrease represented a reduction of around 34 days to around 100 days inventory at 30th of June; we're now sitting within our previously communicated target range of 90 to 110 days.

We retain a sharp focus on identifying and delivering initiatives that will enhance our liquidity moving forward. An example is our decision to divest the Nico Young nickel cobalt project in New South Wales, which as Bryce indicated, is a process that has now commenced. The priority focus for the second half is to continue performance and optimisation of the Jervois Finland business and the pursuit of debt and partnership funding options for SMP. This is aimed at delivering the path that brings SMP into production in line with the goal of delivering a multi-asset and multi-commodity cash generating portfolio.

Cobalt sales volumes guidance for Finland for 2023 remain unchanged. For the six months to 30th of June, our sales volumes totalled 3,160 metric tonnes. For now we are prudently maintaining our current guidance range consistent with the prior quarter. Our inventory reduction plans have been successful in Jervois Finland and we reinforce our prior guidance for a target range of 90 to 110 days and we expect to remain within this range for the remainder of 2023.

At ICO, the total project cost remains US$155 million with the final residual vendor payments associated with this expenditure incurred prior to suspension continued in the quarter as shown in the cashflow reconciliation included in the appendix of this presentation. The estimated monthly costs, whilst ICO is in suspension mode, continue to be approximately US$1 million a month. Costs are focused on environmental compliance and maintaining asset health to preserve restart optionality.

At SMP, while the project has been paused, the total forecast project cost remains US$65 million. As part of our ongoing restart readiness efforts, we have continued to identify and implement opportunities to optimise the project cost and schedule. The estimated monthly site cost at SMP is US$0.5 million and first production is forecast 12 months following full reactivation of the restart project which is to be expected once we have a confirmed funding pathway.

Bryce, I'll hand back over to you to summarise.

Bryce Crocker: Thanks James. Clearly it's been a difficult year for all shareholders of Jervois, including the board and management. We're extremely disappointed with how equity markets are currently valuing our portfolio of assets. The balance sheet has been part of that overhang and the recent US$50 million equity injection provides us the flexibility and runway to now deliver on our strategy and improve the situation. Management is earnestly looking forward to deliver on our singular focus to return the Company valuation back toward fair value.

Operator, I'll close there and I'd open it up to questions from analysts, thank you.

Operator: Thank you. If you wish to ask a question, please press star/one on you 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 Adam Baker with Macquarie. Please go ahead.

Question: (Adam Baker, Macquarie Group) Morning Bryce and James. Just a question on Jervois Finland, if I may, just wondering with cobalt prices, if they're staying similar to what they are now, now that you've got inventory levels back to your normalised levels, what do you expect the adjusted EBITDA to be for that asset in the second half of this year? Thanks.

Bryce Crocker: James, do you want to cover that?

James May: Yes, sure. So Adam as you know, we don't give formal EBITDA guidance, but a reasonable guide to what the business should and can deliver at this part of the price cycle is our prior historical published numbers. So in 2020 when the cobalt price averaged $15 a pound for the year, Jervois Finland delivered $20 million EBITDA annualised. So that's a reasonable run rate that we are looking to get back to.

Now clearly there's been other factors that mean that that journey is not wholly smooth. We have seen normalisation of various costs which are helpful and so we are targeting getting back close to that runway, but a degree of caution in terms of how we progress back to that full run rate that I've just referred to.

Bryce, anything to add to that?

Bryce Crocker: No, I think you covered it clearly, James, unless Adam had other questions.

Question: (Adam Baker, Macquarie Group) No, that's all from me. I'll hand it on, thanks guys.

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

Question: (Timothy Hoff, Canaccord) Thanks for the questions. I was just wondering if you might highlight how the cobalt price is tracking at the moment from your end for product. We're just noting that it had been ticking up on a few different price series that I'm watching.

Bryce Crocker: Yes, I mean as I said during the presentation, normally we don't comment on the cobalt price specifically, but it has been ticking up and it's quite a significant tick up when you consider that in early June, when we were starting the financing process, we were sub $13, so now we're at close to $16.50 today. There's a significant spread between the low and the high. The alloy spread is significantly higher than that. Chinese metal prices are around $18. So certainly there's been a significant draw down on higher purity metal and that's flowing through the various grades.

Certainly and if we translate that into the way that we've been looking at our book and the way that our commercial team is managing and pricing the business, the uptick that we've seen – and you can see even selling over 3,100 tonnes of cobalt in the first half, I think is a good outcome and certainly we've seen a significant uptick in our ability to move product on attractive terms and that's accentuated in the last two or three weeks. So again, we're always cautious, we're not pretending we're back to Q1 2022 in terms of demand and pricing, but certainly we're in a much better space from a markets perspective than where we were six weeks ago.

Question: (Timothy Hoff, Canaccord) Excellent, thank you for the insights. Do you have anything on stockpiles inside the DRC? I know that was an issue weighing on the market for a while.

Bryce Crocker: I think if you look at – I mean cobalt hydroxide payables are a good barometer, so when people talk about stockpiles, they're generally talking about the intermediate stocks that are held either within DRC or within the logistical chains out of the DRC through South Africa or in China as the large intermediate hydroxide stocks. Obviously there were also political discussions across the course of the last couple of years that led to increased stocks sitting in the DRC.

Now you can see that the quoted hydroxide payables today are 65% to 67%. Many of the large producers wouldn't be selling at those levels, they'd be requiring a price that is higher than that. The physical market is tighter, you've seen it flowing through the final metal price. You're also seeing it flowing through the intermediate hydroxide price and I think what that is a reflection of and a reality of is it's not that easy to get product out of DRC. It is coming out, but the logistics are the logistics and it's just taking time and we're also seeing an uptick in demand. It's not an exponential roaring uptick, but it's certainly a pickup in demand across the key market China.

But also particularly, as I mentioned, metal demand across the West as we've seen an uptick in aerospace and obviously the situation in Ukraine doesn't improve and so that is flowing through into a heightened level of metal demand, which is flowing through other grades and we're seeing that picking up into the sulphate, which is obviously the battery chemical that comes out of our Finnish business. In terms of the liquidity there, that we're seeing now, is vastly different to what the liquidity for that product was even four, six, eight weeks ago.

So we're constructive on the outlook and I think we also look to touch on the CME forward prices. Again, the forward prices are forward prices, we don't necessarily transact on those. But the OEMs are and there's significant buying going out, the prices approaching $20 by the end of the year and then if you look into 2025, the price is up in the mid-$20s. So that's quite significant from where we are today. I mean there's not many commodities you get that level of contango and importantly now, it’s not just the paper contango that’s theoretical, there’s a lot of OEM buying that’s occurring on the forward curve which gives you an idea in terms of where the largest buyers in the market see the future price trends, which again, we’re constructive on.

Question: (Timothy Hoff, Canaccord) Excellent. Hopefully we see some positive momentum there. Thanks guys.

Operator: 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 with Jefferies. Please go ahead.

Question: (Mitch Ryan, Jefferies) Morning Bryce and James, thanks for taking my question. Just at the time of the raising you talked to considering partnerships with strategically aligned investors and customers across all assets. Just wondering if you can provide any updates on or timelines of when we should expect any commentary on that from the Company.

Bryce Crocker: I think we’ve been clear on with regard to São Miguel Paulista. It’s certainly 2023, we want to have a pathway forward by the end of 2023 that provides definition and confidence. My view is that the asset’s important, not only would it obviously be generating significant cash flow in the current market, both nickel prices, input costs and nickel metal premia, but what the last 18 months has taught us is that single assets and single commodities, particularly when combined with an inappropriate balance sheet and the downturn, can carry risk and that’s what we really need to go about fixing.

In terms of the other assets, I think that again we’ve had inbounds on each. I think that nothing is automatically sacred in the portfolio. If we were quite rational now in terms of how I think we look forward to growth and I do want us, the Company, to return to growth, I think that’s important, but I think it’s also important it occurs in a way that’s protective of shareholder interests, i.e. without further dilution at the parent level. I think it’s also important as a benchmark, because clearly there’s a disconnect, what we perceive to be fair value of the assets and the way that equity markets perceive to be fair value and typically the smarter people reside on your side of the ledger on the equity markets.

So I'm not one to sit here and say that markets are wrong, but the way that we can demonstrate that the assets have more value than what is currently being priced in our share price is simply to demonstrate by selling a share of an interest at a price that's disconnected from what the see-through value is and doing that repeatedly and introducing partners which are then going to de-risk the development of those assets, I think that's how we begin to rebuild and repair the shareholder value back to where we were. So that's what we're specifically focused on.

So no specific timeframes that we're going to publicly commit to, but constructively impatient would be how I'd describe where we're at as a management team and certainly where the Board's perspective is.

James, is there anything you'd add to that?

James May: No, I don't think so, Bryce. I mean I think the main point there is we'll be guided by value and strategic logic in terms of our partnering on the assets. Nothing else to add.

Question: (Mitch Ryan, Jefferies) Thank you, I appreciate the commentary.

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

Bryce Crocker: Okay, well thank you all for your time. Again, a difficult period for the Company, but I do believe that Q2 is the start of a turn for a better future and look forward to providing you updates in subsequent quarters. Thank you.

**[END OF TRANSCRIPT]**