

# Bluejay Mining plc

United Kingdom / Mining  
 AIM (London); Frankfurt SE  
 Bloomberg: JAY LN  
 ISIN: GB00BFD3VF20

## Equity Capital Raise

<b>RATING</b>	<b>BUY</b>
<b>PRICE TARGET</b>	<b>GBp21.80</b>
Return Potential	113.5%
Risk Rating	High

## SECURING THE FINANCIAL BASIS FOR AN EXCITING 2020

Bluejay announced yesterday that it has conditionally raised gross proceeds of GBP11.5m through a share issue. We had expected an issue of around this size and welcome the participation of the Greenlandic and Danish investment funds, who have agreed to contribute GBP4m of the total. The involvement of these institutions further strengthens our confidence that the mining license application submitted to the Greenlandic authorities in September for the advanced-stage Dundas Ilmenite Project will be accepted. The proceeds of the issue will be used for continued preparation of Dundas for full development and also for the maiden drilling campaigns in 2020 at the Disko-Nuusuaq nickel-copper-platinum project and the Kangerluarsuk zinc/lead/ silver project (subject to government approval). We maintain our Buy recommendation and price target of GBp21.80. As we pointed out in our initiation coverage note of 24 October, our price target is based solely on the Dundas Ilmenite Project. We have not modelled any value, which could prove considerable, for either the Disko or Kangerluarsuk projects.

### Outcome of Rio Tinto's analysis of Dundas bulk sample likely in H1/20

Dundas has a JORC-compliant onshore resource estimate of 117m tonnes at 6.1% ilmenite. The mining consultant SRK has confirmed Dundas to be the highest grade ilmenite mineral sands deposit in the world. According to the preliminary feasibility study submitted with the mining license application, the onshore reserve is sufficient for a mine life of up to 11 years. However, additional ore identified elsewhere on the licence area as well as the shallow marine material will most likely add further decades of mine life. In September Bluejay shipped a 42,000 tonne bulk sample of its ilmenite ore to Canada. A refined 5,000 tonne sample of this material will be sent to Rio Tinto's ilmenite ore smelting facility at Sorel Tracy in Quebec. There, it will be extensively analysed with a view to large scale commercial use. Bluejay made clear at the time of the agreement with Rio Tinto in May that the ilmenite shipment does not guarantee a long-term transaction between the two companies. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2018	2019E	2020E	2021E	2022E	2023E
Revenue (GBP m)	0.00	0.00	0.00	0.00	53.95	80.93
Y-o-y growth	n.a.	n.a.	n.a.	n.a.	n.a.	50.0%
EBITDA (GBP m)	-1.67	-1.58	-2.25	-2.75	23.53	36.67
EBITDA margin	n.a.	n.a.	n.a.	n.a.	43.6%	45.3%
Net income (GBP m)	-10.78	-2.00	-2.79	-7.07	-23.45	-8.58
EPS (diluted) (GBp)	-1.279	-0.002	-0.003	-0.007	-0.022	-0.008
DPS (GBp)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (GBPm)	-7.68	-5.85	-1.74	-8.82	-8.02	18.69
Net gearing	-34.0%	-37.4%	54.4%	343.6%	744.6%	1228.2%
Liquid assets (GBP m)	9.17	13.58	31.39	23.52	15.50	14.03

### RISKS

The main risk to our price target is that Bluejay fails to secure financing for the Dundas Titanium Project.

### COMPANY PROFILE

Bluejay's advanced-stage flagship Dundas Titanium Project, located in western Greenland, is based on the world's highest-grade ilmenite mineral sands deposit. Two other Bluejay projects in Greenland offer considerable further upside. The Disko-Nuusuaq Project is geologically analogous to the world's largest nickel/copper sulphide mine at Norilsk in Siberia while samples from the Kangerluarsuk zinc/lead/silver project show over 50% metal.

### MARKET DATA

As of 20 Nov 2019

Closing Price	GBp10.2
Shares outstanding	854.97m
Market Capitalisation	GBP 87.29m
52-week Range	GBp 5/15
Avg. Volume (12 Months)	2,705,706

Multiples	2021E	2022E	2023E
P/E	n.a.	n.a.	n.a.
EV/Sales	0.0	1.49	0.99
EV/EBITDA	n.a.	3.41	2.19
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2019

Liquid Assets	GBP 6.51m
Current Assets	GBP 7.94m
Intangible Assets	GBP 17.35m
Total Assets	GBP 28.28m
Current Liabilities	GBP 0.54m
Shareholders' Equity	GBP 27.24m

### SHAREHOLDERS

Sand Grove Capital Management PLC	18.0%
Directors and senior management	14.0%
M&G PLC	12.0%
Hargreaves Lansdown Asset Man.	4.0%
Other and free float	52.0%



The homogeneous, high-grade, coarse-grained, unweathered nature of the Dundas ore body simplifies extraction. We think these characteristics will attract financing to the project even in the event that a deal is not done with Rio Tinto. We assume that site construction starts in mid-2020 and model first shipments in early 2022.

**Discussions with “significant parties” about accelerating development at Disko**

Bluejay has identified twenty-eight large scale drill-ready targets at its 2,776km<sup>2</sup> Disko-Nuussuaq Magmatic Massive Sulphide Nickel-Copper-Platinum Project in West Greenland. The largest of these is more than 12km long and up to 2km wide. The geology of the project is analogous to the Norilsk nickel mine in Siberia. Since early 2019 Anglo American has claimed 10,000 km<sup>2</sup> essentially surrounding Bluejay’s holdings. In mid-October Bluejay stated that it was in discussions with “three significant parties” about accelerating development at Disko. We expect Bluejay to submit a drilling permit application in the near term. Drilling at the project should start in 2020 subject to approval of this application.

**Kangerluarsuk: very positive geochem./geophysical signals. Outcrops grading >50% valuable metals**

Bluejay recently submitted an application to expand its license area at the Kangerluarsuk zinc-lead-silver project more than five-fold from 106km<sup>2</sup> to 692 km<sup>2</sup>. Exploration work carried out before Bluejay’s acquisition of the project in an all-share transaction in January 2017 (the same transaction through which it acquired the Disko-Nuussuaq project) generated strongly positive geochemical and geophysical signals. A Soil Gas Hydrocarbon study generated a score of 6.0, the highest score possible in the SGH rating system while a 348 line-km helicopter-borne audio frequency magneto-variational (AFMAG) survey identified several highly conductive bodies, three of which correspond to the strongest surface geochemical anomalies. In addition, the project features significant and extensive outcropping base metal mineralisation - in places grading over 50% combined valuable metals. Despite these positive indicators, the project has never been drill-tested. Bluejay plans a maiden diamond drill programme for summer 2020 subject to grant of an exploration permit.

**Validation from Greenlandic and Danish Government investment funds**

Bluejay is to issue a total of 115m new shares at GBP11.5 for total proceeds of GBP11.5m. The Greenlandic and Danish Government investment funds, respectively “Greenland Venture” and Danish “Vaekstfonden” (Growth Fund), will subscribe for GBP4m of the total. Danish, German, Irish and UK investors will subscribe for the balance. This part of the issue does not require shareholder approval but the issue to the two Danish Government institutions requires the approval of a general meeting of shareholders to be held in London on 12 December. Shareholder approval for this part of the issue is required because existing authorisation is only for a sum up to approximately GBP8.5m. Subject to this approval, management expect to receive the entire proceeds of the issue by year-end.

**Buy recommendation and GBP21.8 price target maintained**

In our initiating coverage study of 24 October, we assumed a GBP10m equity raise ahead of project financing and a further GBP20m as part of project financing - both in 2020. We now move GBP11.5m of this total forward to 2019. We maintain our Buy recommendation and price target of GBP21.8.



Figure 1: Dundas titanium project valuation\*

Assumptions									
Estimated ilmenite resource at 0.0% TiO <sub>2</sub> cut-off (kt)	607,000								
grade	6.1%								
Estimated ilmenite resource at 1.6% TiO <sub>2</sub> cut-off (kt)	462,838								
grade	7.3%								
Estimated ilmenite in situ (kt)	33,787								
Loss	4.1%								
Recovery	85.0%								
Estimated LOM ilmenite production (kt)	27,542								
in USD 000s	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Ilmenite shipped (kt)			300	450	600	700	700	700	700
Price per tonne ilmenite (USD)			232	232	232	232	232	232	232
<b>Revenue</b>			<b>69,600</b>	<b>104,400</b>	<b>139,200</b>	<b>162,400</b>	<b>162,400</b>	<b>162,400</b>	<b>162,400</b>
Mining, processing, infrastructure, services, G&A			33,963	50,945	67,926	79,247	79,247	79,247	79,247
Royalties			1,740	2,610	3,480	4,060	4,060	4,060	4,060
<b>EBITDA</b>			<b>33,897</b>	<b>50,846</b>	<b>67,794</b>	<b>79,093</b>	<b>79,093</b>	<b>79,093</b>	<b>79,093</b>
Depreciation			46,073	46,073	51,273	51,273	51,273	5,200	5,200
Operating profit			-12,176	4,773	16,521	27,820	27,820	73,893	73,893
Tax			0	0	0	0	0	20,690	20,690
Net operating profit less tax			-12,176	4,773	16,521	27,820	27,820	53,203	53,203
Capital expenditure	-76,788	-153,576	0	-26,000	0	0	0	0	0
<b>Net cashflow</b>	<b>-76,788</b>	<b>-153,576</b>	<b>33,897</b>	<b>24,846</b>	<b>67,794</b>	<b>79,093</b>	<b>79,093</b>	<b>58,403</b>	<b>58,403</b>
<b>PV cashflows at 10% discount rate</b>	<b>-69,082</b>	<b>-125,603</b>	<b>25,203</b>	<b>16,793</b>	<b>41,657</b>	<b>44,182</b>	<b>40,165</b>	<b>26,962</b>	<b>24,511</b>
<b>Total project value</b>	<b>250,852</b>								

\*for layout purposes the model shows numbers only to 2028 but runs until 2061

Source: First Berlin Equity Research estimates

Figure 2: Group valuation model

(GBP 000s)	
Dundas Titanium Project NPV (USD 000s)	250,852
Dundas Titanium Project NPV	194,459
Proforma net cash position	37,077
<b>Total equity value</b>	<b>231,535</b>
Proforma no. shares (k)	1,063,971
<b>Value per share (GBP)</b>	<b>21.80</b>

Source: First Berlin Equity Research estimates



## INCOME STATEMENT

All figures in GBP	2018	2019E	2020E	2021E	2022E	2023E
<b>Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53,953,488</b>	<b>80,930,233</b>
Mining, processing, G&A, royalties	-1,550,256	-1,543,271	-2,250,000	-2,750,000	-30,426,744	-44,265,116
Other gains/(losses)	-93,111	-24,718	0	0	0	0
Foreign exchange	-23,757	-9,058	0	0	0	0
<b>EBITDA</b>	<b>-1,667,124</b>	<b>-1,577,047</b>	<b>-2,250,000</b>	<b>-2,750,000</b>	<b>23,526,744</b>	<b>36,665,116</b>
Depreciation and amortisation	-250,595	-437,665	-500,000	-550,000	-36,265,260	-36,315,260
Impairments	-8,873,585	0	0	0	0	0
<b>Operating profit (EBIT)</b>	<b>-10,791,304</b>	<b>-2,014,712</b>	<b>-2,750,000</b>	<b>-3,300,000</b>	<b>-12,738,516</b>	<b>349,856</b>
Finance income	12,209	11,013	-40,020	-3,768,374	-10,706,692	-8,928,971
Other income	2,409					
<b>Pre-tax result (EBT)</b>	<b>-10,776,686</b>	<b>-2,003,699</b>	<b>-2,790,020</b>	<b>-7,068,374</b>	<b>-23,445,208</b>	<b>-8,579,115</b>
Income taxes	0	0	0	0	0	0
<b>Net income / loss</b>	<b>-10,776,686</b>	<b>-2,003,699</b>	<b>-2,790,020</b>	<b>-7,068,374</b>	<b>-23,445,208</b>	<b>-8,579,115</b>
<b>Diluted EPS (in GBp)</b>	<b>-1.279</b>	<b>-0.002</b>	<b>-0.003</b>	<b>-0.007</b>	<b>-0.022</b>	<b>-0.008</b>
<b>Ratios</b>						
EBITDA margin on revenues	n.m.	n.m.	n.m.	n.m.	43.6%	45.3%
EBIT margin on revenues	n.m.	n.m.	n.m.	n.m.	n.m.	0.4%
Net margin on revenues	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Expenses as % of revenues</b>						
Mining, processing, G&A, royalties	n.m.	n.m.	n.m.	n.m.	56.4%	54.7%
<b>Y-Y Growth</b>						
Revenues	n.m.	n.m.	n.m.	n.m.	n.m.	50.0%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	55.8%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.



## BALANCE SHEET

All figures in GBP	2018	2019E	2020E	2021E	2022E	2023E
<b>Assets</b>						
<b>Current assets, total</b>	<b>9,943,071</b>	<b>14,679,266</b>	<b>32,590,886</b>	<b>24,820,652</b>	<b>26,287,299</b>	<b>30,217,243</b>
Cash and cash equivalents	8,843,709	13,090,214	30,260,356	22,673,565	14,938,497	13,525,868
Financial assets at fair value through P&L	330,402	489,052	1,130,530	847,087	558,104	505,328
Receivables	768,960	1,100,000	1,200,000	1,300,000	10,790,698	16,186,047
<b>Non-current assets, total</b>	<b>18,324,337</b>	<b>22,737,920</b>	<b>86,763,353</b>	<b>210,264,220</b>	<b>178,998,960</b>	<b>167,838,739</b>
Property, plant & equipment	2,846,091	3,495,303	62,520,736	181,021,603	144,756,343	128,596,122
Intangible assets	15,478,246	19,242,617	24,242,617	29,242,617	34,242,617	39,242,617
Other assets	0	0	0	0	0	0
<b>Total assets</b>	<b>28,267,408</b>	<b>37,417,186</b>	<b>119,354,240</b>	<b>235,084,872</b>	<b>205,286,259</b>	<b>198,055,981</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>783,836</b>	<b>600,000</b>	<b>6,252,074</b>	<b>9,051,080</b>	<b>2,697,674</b>	<b>4,046,512</b>
Short-term debt	0	0	0	0	0	0
Accounts payable	783,836	600,000	6,252,074	9,051,080	2,697,674	4,046,512
<b>Non-current liabilities</b>	<b>496,045</b>	<b>496,045</b>	<b>60,496,045</b>	<b>180,496,045</b>	<b>180,496,045</b>	<b>180,496,045</b>
Deferred tax liabilities	496,045	496,045	496,045	496,045	496,045	496,045
Long term debt	0	0	60,000,000	180,000,000	180,000,000	180,000,000
<b>Non-controlling interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shareholders' equity</b>	<b>26,987,527</b>	<b>36,321,141</b>	<b>52,606,121</b>	<b>45,537,747</b>	<b>22,092,539</b>	<b>13,513,425</b>
<b>Total consolidated equity and debt</b>	<b>28,267,408</b>	<b>37,417,186</b>	<b>119,354,240</b>	<b>235,084,872</b>	<b>205,286,259</b>	<b>198,055,981</b>
<b>Ratios</b>						
Current ratio (x)	12.69	24.47	5.21	2.74	9.74	7.47
Quick ratio (x)	12.69	24.47	5.21	2.74	9.74	7.47
Net debt (cash)	-9,174,111	-13,579,266	28,609,114	156,479,348	164,503,399	165,968,804
Net gearing	-34.0%	-37.4%	54.4%	343.6%	744.6%	1228.2%



## CASH FLOW STATEMENT

All figures in GBP	2018	2019E	2020E	2021E	2022E	2023E
<b>Loss after taxation</b>	<b>-10,776,686</b>	<b>-2,003,699</b>	<b>-2,790,020</b>	<b>-7,068,374</b>	<b>-23,445,208</b>	<b>-8,579,115</b>
Depreciation and amortisation	9,124,175	437,665	500,000	550,000	36,265,260	36,315,260
Changes in working capital	115,777	-514,876	5,552,074	2,699,007	-15,844,103	-4,046,512
Share-based payments	45,000	0	0	0	0	0
Foreign exchange	-32,914	0	0	0	0	0
Other adjustments	96,573	0	0	0	0	0
<b>Operating cash flow</b>	<b>-1,428,075</b>	<b>-2,080,910</b>	<b>3,262,054</b>	<b>-3,819,367</b>	<b>-3,024,051</b>	<b>23,689,634</b>
Investments in intangibles	-6,251,969	-3,764,371	-5,000,000	-5,000,000	-5,000,000	-5,000,000
<b>Free cash flow</b>	<b>-7,680,044</b>	<b>-5,845,281</b>	<b>-1,737,946</b>	<b>-8,819,367</b>	<b>-8,024,051</b>	<b>18,689,634</b>
Investments in PP&E	-2,452,284	-1,086,877	-59,525,433	-119,050,867	0	-20,155,039
Other investments	-442,781	0	0	0	0	0
<b>Investment cash flow</b>	<b>-9,147,034</b>	<b>-4,851,248</b>	<b>-64,525,433</b>	<b>-124,050,867</b>	<b>-5,000,000</b>	<b>-25,155,039</b>
Debt financing, net	0	0	60,000,000	120,000,000	0	0
Equity financing, net	16,458,928	11,337,313	19,075,000	0	0	0
Other financing	0	0	0	0	0	0
<b>Financing cash flow</b>	<b>16,458,928</b>	<b>11,337,313</b>	<b>79,075,000</b>	<b>120,000,000</b>	<b>0</b>	<b>0</b>
FOREX & other effects	388,370	0	0	0	0	0
<b>Net cash flows</b>	<b>6,272,189</b>	<b>4,405,155</b>	<b>17,811,620</b>	<b>-7,870,234</b>	<b>-8,024,051</b>	<b>-1,465,405</b>
Liquid assets, start of the year	2,901,922	9,174,111	13,579,266	31,390,886	23,520,652	15,496,601
<b>Liquid assets, end of the year</b>	<b>9,174,111</b>	<b>13,579,266</b>	<b>31,390,886</b>	<b>23,520,652</b>	<b>15,496,601</b>	<b>14,031,196</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.a.	n.m.	n.m.	n.m.	n.m.	55.8%

## FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	24 October 2019	GBp10.0	Buy	GBp21.8
2	Today	GBp10.21	Buy	GBp21.8

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### PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

### AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

### ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

#### ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

#### RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

#### INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

#### UPDATES

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#### Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

**SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt**

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