

Bluejay Mining

Key Dundas development work ticking along with catalysts on the horizon

Bluejay Mining PLC (“JAY”) has announced the completion of bulk sample pilot plant processing and further, final samples being sent for incremental customer evaluation. We view this as an important step for both validating the process flow sheet and ultimately securing offtake agreements for the remaining expected output. JAY has agreed a Master Distribution Agreement with a major Asian conglomerate for up to 340ktpa of Dundas’ anticipated 440ktpa annual output. We see future technical studies and securing financing (with a global investment bank conditionally appointed as lead arranger) as key catalysts alongside drill-bit success at JV projects. Appointment of Peter Davis as Project Manager for Dundas should accelerate this progress with his decorated CV in delivering feasibility studies and mineral sands experience.

Bulk sample derisks the project technically and could secure remaining offtake

The bulk sample has been successfully processed following restart earlier this year after the plant was placed on care and maintenance in March 2020 following the outbreak of COVID-19. The produced material exceeded expected specifications for commercial production, which could translate into a more saleable product. The final bulk parcels of output from the pilot plant are being distributed, in cooperation with the JAY’s distribution partner, a large, long-established Asian international industrial and trading conglomerate. The material will undergo further magnetic separation, facilitated by JAY’s distribution partner to be sampled by key-end customers identified by them. This could consolidate and potentially extend the existing distribution agreement (up to 340ktpa) to cover the entire expected annual output of Dundas ilmenite concentrate (~440ktpa). These steps have derisked the project technically, with the flow sheet validated (and the product specifications even exceeded), and potentially financially should the offtake agreement be extended to cover Dundas’ entire output. This in turn should aid project financing discussions also in progress.

Important pieces coming together alongside pre-production works in 2022

Elsewhere JAY has made solid progress on other key aspects of the Dundas Ilmenite Project. A premier European investment bank has been conditionally appointed as lead arranger of the project financing and formation of the lending syndicate, which may include cheap sources of debt from Export Credit Agencies as well as commercial banks and industrial entities. Peter Davis has also been appointed as Project Manager for Dundas. Mr Davis’ 45 years of experience, including in minerals sands and titanium dioxide pigment operations with a mining engineering background, should provide a strong platform for JAY to accomplish necessary steps to unlock development. As part of this push, pre-construction works will commence at Dundas in 2022 to prepare for development alongside the project finance syndicate.

Valuation – GBP24/sh target price offers 164% upside

We model a long-term ilmenite price of US\$210/t (FOB) which is more conservative than the PFS input of US\$232/t and current spot at ~US\$360/t. The titanium market still has compelling long-term dynamics and has remained tight despite increases in supply from mines in China and concentrate products from Mozambique. On this basis we reach an NPV_{8%} of US\$305m for Dundas, to which we apply a 0.8x multiple. We then add a further US\$60m for JAY’s earlier-stage exploration assets, including a conservative US\$30m for Disko. Adjusting for working capital and G&A, we derive a total Dec’21E risked SOTP of US\$307m (24p/sh).

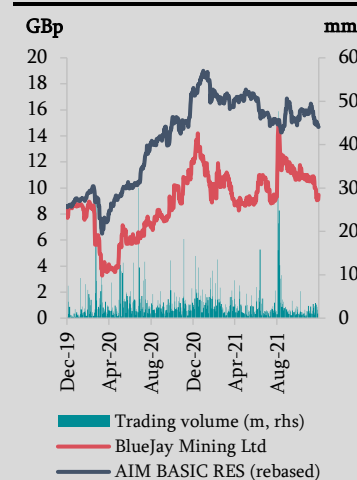
GICS Sector	Materials
Ticker	LN:JAY
Market cap 6-Dec-21 (£m)	91
Share price 6-Dec-21 (GBP)	9.1
Target price 31-Dec-21 (GBP)	24

164%

Upside from the current share price to our 24p/sh target

340ktpa

Current Master Distribution Agreement of 440ktpa total planned annual output



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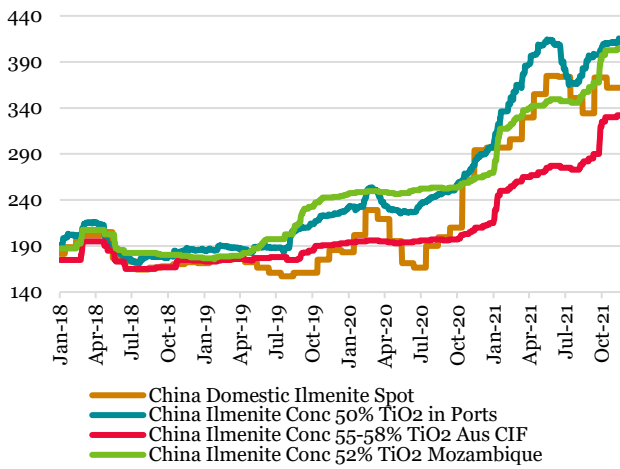
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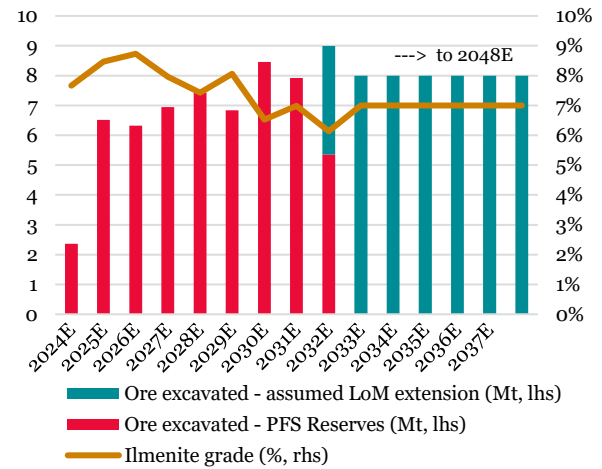
Key Charts

Ilmenite price indices



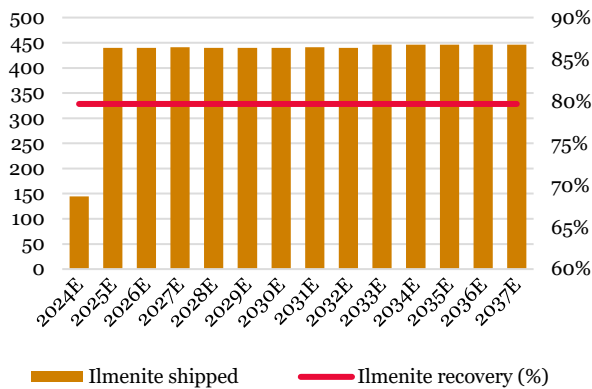
Source: Bloomberg

Ore excavated vs Grade



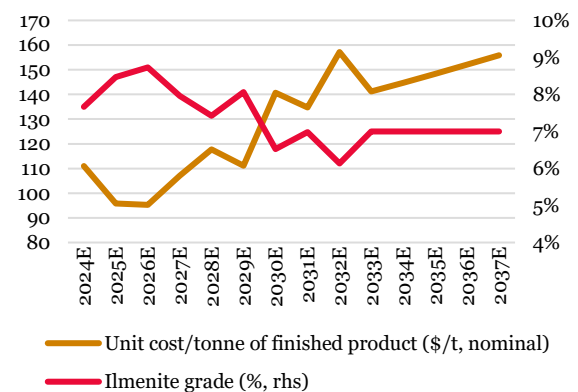
Source: Company reports, H&P estimates.

Ilmenite tonnage shipped and recovery rate



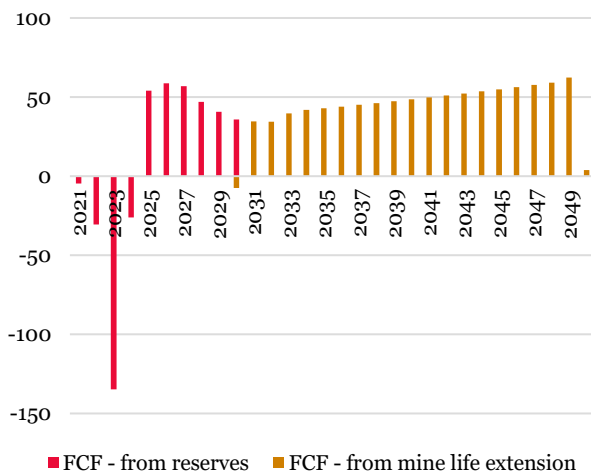
Source: Company reports, H&P estimates.

Unit cost of finished product vs RoM ilmenite grade



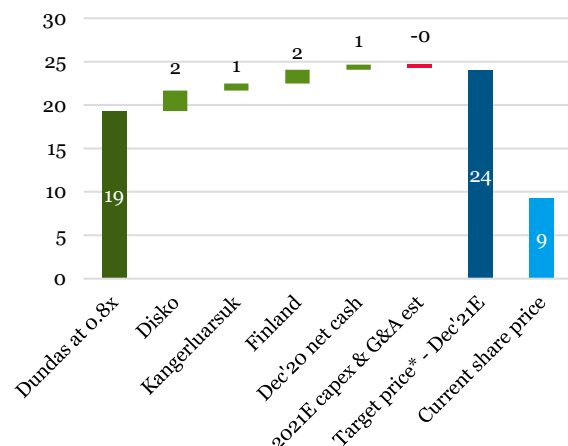
Source: Company reports, H&P estimates.

Dundas FCF (US\$m)



Source: Company reports, H&P estimates.

Price target derivation (GBP per share)



Source: H&P estimates, *PT rounded to nearest 1p.

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