

Bluejay mining

JAY LN

STRONG BUY

Target Price 45p

8 August 2018

Significant increase in grade, scale & value expected from Greenland this field season

Stock Data

Ticker	TICKER
Share Price:	17p
Market Cap:	£145m US\$187m

Key Points

Bluejay are planning the construction of the Dundas (formerly Pituffik) ilmenite mineral sands project in Greenland. The project is advancing through Feasibility Study work towards final financing with preliminary site works underway and construction scheduled for later next summer.

Price Chart



- Work is progressing well at the Dundas site in Greenland and in the UK where the final parts of the Feasibility Study and related EIA 'Environmental Impact Study' & SIA 'Social Impact Study' studies are being woven together.
- The company has expanded its on-site accommodation so it can accommodate up to 50 with a peak of 45 consultants & employees and local workers on-site this season. The company has now moved to mitigate the decrease in consultant productivity to bring expertise in house to offset delays experienced to date.
- Work is likely to continue at site to end-November as the team focus on the production of concentrates for testing with a number of offtakers. We expect updates on this could come at any stage.
- Optimisation of mining and processing has led to simplification of the process along with significant savings in capital and future operating costs. This optimisation process will form the basis of the Exploitation application which is according to the company due to be lodged before year end.
- While the EIA has progressed certain aspects have had to wait for the full mining schedule to be finalised so the impact on the environment can be determined which has led to around 4-5 month delay in the assessment. This negative here is more than offset however by increased project economics due to these optimisation studies.
- The consultant team continue to working on the EIA and SIA which should be released along with the Final Feasibility Study around the end of September early October.
- Pre-mining activity and civil earth works continue at site under existing permits with full Exploitation license to be lodged in Q4 this year.

Conclusion: Bluejay's performance to date is impressive given the scale of the operation it is planning in Greenland.

We look forward to further updates on the potential scale of the offtakes being discussed and to further upgrading of the resource grade and tonnage.

We also look forward to seeing the engineering solutions which have simplified the mining and processing process and to the impact of this on capital and operating costs as well as the effect on the project value.

**SP Angel act as nomad and broker to BlueJay Mining. An SP Angel mining analyst has visited the Dundas (formerly Pituffik) ilmenite sands project in Greenland. The video contained was taken by our analyst in 2017.*

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- Ilmenite market: this is a really interesting time for producers of ilmenite. A significant rise in demand led to the restart a number of previously idled but refurbished ilmenite furnaces, some of which have since suffered catastrophic 'Force Majeure' failures. TTI's kiln problems in Q1 followed a furnace fire in 2016 while Rio's Richards Bay Minerals and Sorel in Canada both also had problems. This has led to an excess of available concentrates in the market depressing prices in the market but leading to a likely drawdown of stocks at pigment and other downstream processors.
- Disruption in the production of high-grade ilmenite has tightened the market which should raise premiums for better-grade material going forward offsetting the apparent fall in reported spot prices. The restart of Cristal's (Tronox) new 500ktpa TiO₂ Jazan furnaces at the end of the year will require more feedstock within the next 6 months which should further lead to a recovery in prices again
- **Resources:** we expect to see a significant increase in the scale of the resource this year. The team are currently drilling and bulk sampling in the Ilerlak Delta area with a significant increase in the very high-grade portion of the resource here.
- Interestingly, further bulk sampling on the larger-scale but lesser grade resource at Moriusaq may lead to an upgrade in the grade as well as the overall scale of the resource here due to losses of ilmenite through the use of sonic drilling on the project.
- The current 96mt resource consists of around 16mt at Ilerlak and some 80mt resource at 6.9% which covers just 12-13km of the known 30km of strike of heavy mineral sands.
- **Drilling:** Sonic drilling is being used due to the high density of the unusually high-grade, heavy mineral sand, ilmenite material but this process can also lose finer grade material.
- The team have not yet estimated a tonnage for the high-grade shallow marine environment which may take longer to drill and to permit.
- **Cash:** we do not expect significant depletion of the £15m cash balance within Bluejay to date. Most expenses for this year's field season were pre-paid long ahead of the Greenland summer with only small expense incurred since then.
- **Funding:** The company are unlikely to seek to raise further equity funding till an offtake deal is signed at which point the company will work on the funding structure for the mine and plant construction. This may or may not involve the issue of equity to the market depending on the terms negotiated with the selected offtake partner as offtake finance is seen as replacing equity finance on many projects in the current environment.

Chart: Ilmenite conc. price 50%TiO₂, 30%Fe vs Global Manufacturing PMI



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