

Bluejay Mining

Disko 2022 work programme plus placing to advance Dundas marks progress on multiple fronts

Bluejay Mining PLC (“JAY”) has announced the 2022 work programme at Disko-Nuussuaq (“Disko”) as well as a £5.4m (US\$7m) placing at a price of GBP7/sh. The placing will allow JAY to finalise Dundas work streams culminating in a Feasibility Study as well as corporate G&A and working capital. Exploration at Disko is funded by KoBold Metals (“KoBold”), JAY’s JV partner, with a US\$3.4m minimum spend this year. The announcements demonstrate JAY is progressing multiple work streams following a COVID-19 induced 2-year hiatus in fieldwork in Greenland. Furthermore, the Ukraine crisis underlines the strategic importance of Greenland, both geographically and in terms of raw material security supply for North America and Europe, which should weigh in JAY’s favour, in our view, as evidenced by recent European Raw Materials Alliance (“EMRA”) support for Dundas.

Disko field programme includes 3km of drilling with minimum US\$3.4m spend JAY has provided details on the first major exploration campaign within the KoBold – JAY JV. Under the terms of the JV, KoBold has committed to at least US\$3.4m in expenditure on geological and geophysical studies in 2022, with the field season expected to commence in early June. This will include 3km of diamond drilling, around 9,500km of geophysical surveys and 200km of soil sampling to target nickel-copper-cobalt-PGM magmatic massive sulphide mineralisation. JAY will collect an expenditure-based fee to fulfil the role of Field Operations Manager. A further US\$11.4m spend on drilling or completion of 15 pre-agreed drill holes is required by the end of 2024. Decades of historical exploration at Disko has shown it to have the hallmarks of a globally-significant deposit analogous to the Norilsk-Talnakh nickel district in Siberia, the most valuable single orebody of any type on earth. Two large conductive targets at Disko, identified by Bluejay as “drill-ready”, are comparable in footprint to Noril’sk-Talnakh ore bodies. A successful massive sulphide discovery at Disko could therefore be transformative for JAY’s investment case, with the JV likely dwarfing Dundas in terms of potential value.

Dundas now funded through to completion of studies and funding

With the relaxation of Covid-19 restrictions and today’s £5.4m cash injection, we expect JAY will also be able to accelerate progress at Dundas in 2022. Dundas is fully permitted and being developed towards production in the near term, with preparatory activities scheduled to commence this year. JAY has agreed a Master Distribution Agreement with a major Asian conglomerate for up-to 340ktpa of its anticipated 440ktpa annual output. Recent official support of the project from ERMA, co-funded by the EU, could unlock new marketing channels for the remaining output as well as potentially ease the financing process. The Company’s strategy is focused on delivering a Feasibility Study ahead of securing financing ahead of commencing commercial production at Dundas. The market for JAY’s products has remained strong, with spot Chinese ilmenite import prices cresting US\$450/t. Indeed, feedstock supply in Europe could be materially impacted by the crisis, as we estimate Group DF’s operations in Ukraine account for ~5-6% of global output in terms of contained TiO₂ units.

Valuation: GBP25/sh target price on updated share count

We model a long-term ilmenite price of US\$210/t (FOB), more conservative than the PFS input of US\$232/t and current spot at ~US\$350/t. On this basis we reach a Dec’22E NPV_{8%} of US\$338m 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’22E risked SOTP of US\$331m or 25p/sh (+226% from current share price).

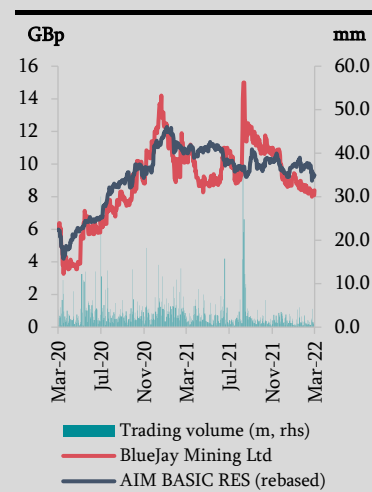
GICS Sector	Materials
Ticker	LN:JAY
Market cap 23-Mar-22 (£m)	75
Share price 23-Mar-22 (GBP)	7.7
Target price 31-Dec-22 (GBP)	25

226%

Upside from the current share price to our 25p/sh target

3km

Diamond drilling planned in 2022 at Disko



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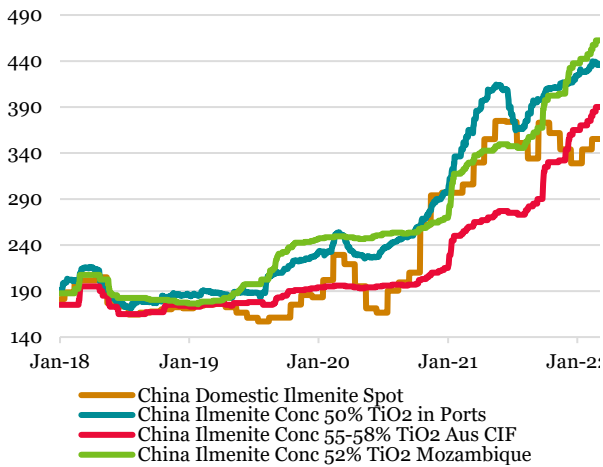
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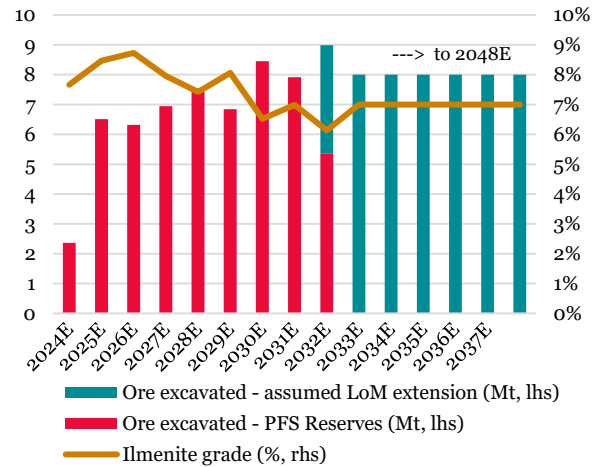
Key Charts

Ilmenite price indices



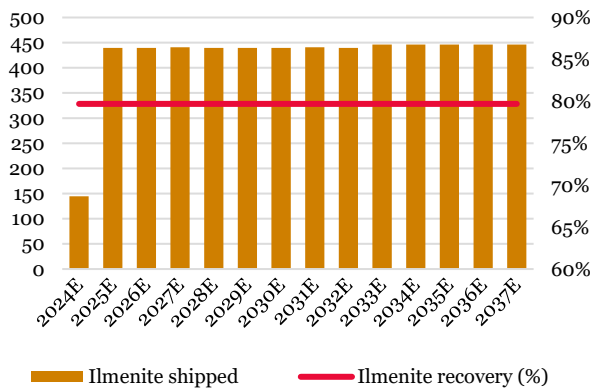
Source: Bloomberg

Ore excavated vs Grade



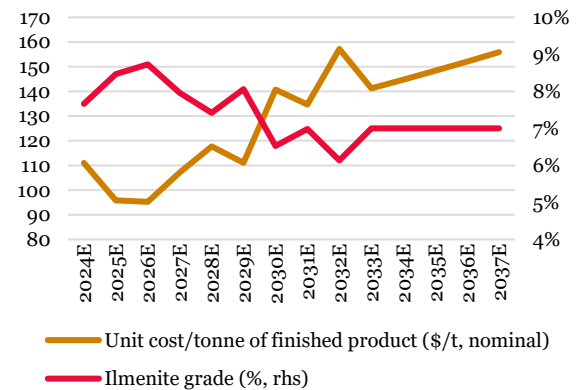
Source: Company reports, H&P estimates.

Ilmenite tonnage shipped and recovery rate



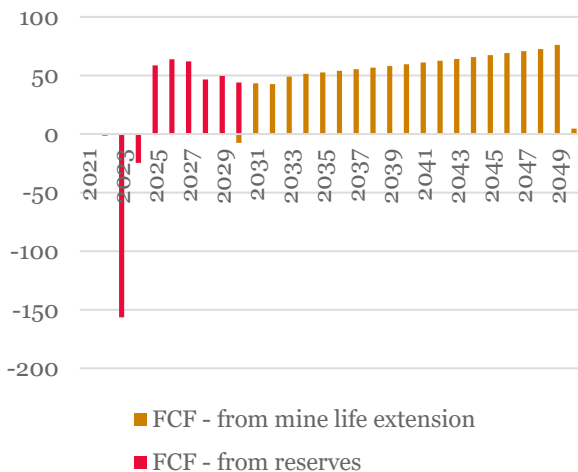
Source: Company reports, H&P estimates.

Unit cost of finished product vs RoM ilmenite grade



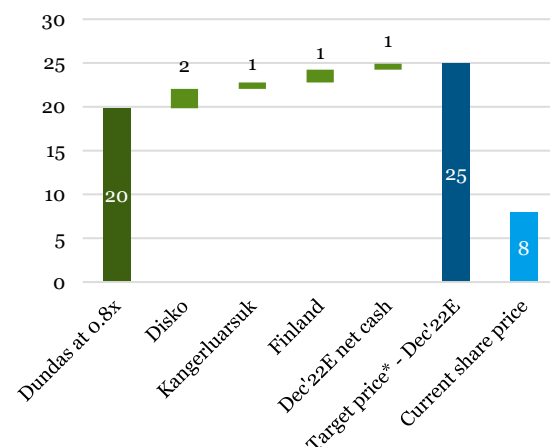
Source: Company reports, H&P estimates.

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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