



## Black Iron Inc

### Key Data

Listing:	TSX
Ticker:	BKI
Shares Outstanding:	259,939,588
Share Price:	C\$0.67
Market Cap:	C\$174.16
Cash Balance:	US\$1.7m
Debt	US\$0.6m
Warrants:	58,557,860
Av exercise price:	C\$0.20
Options:	14,617,500
Av exercise price:	C\$0.1
DSU	9,040,848
Fully Diluted:	342,155,796
Asset Location:	Ukraine

### Price Chart



### Company Summary

Black Iron is an iron ore development company, advancing its 100% owned Shymanivske in Kryviy Rih, Ukraine. Shymanivske is the lowest cost, highest return undeveloped pellet feed project in the world.

## Cargill Selected as Offtake Partner with US\$75M Finance Facility

### Event

Black Iron (TSX:BKI) has announced that Cargill has been selected as its offtake partner its Shymanivske iron ore project in Ukraine and will provide a US\$75M finance facility towards construction of the project.

### Highlights

Subject to completion of due diligence and successful conclusion of negotiations, the key terms of the proposal are:

- Offtake 100% of the phase 1 production (4Mtpa) for an initial 10 years
- BKI will receive 100% of the 65% Fe content benchmark price and will then share with Cargill the premium above that for its own 68% Fe pellet feed concentrate
- Drawdown of the US\$75m finance facility is conditional to certain conditions related to the project being fully permitted and financed.

Black Iron and Cargill will now start work on definitive binding offtake and financing agreements which will reflect the proposal.

### Comment

Cargill is a great fit for BKI. Globally, Cargill's metals business trades over 50Mtpa of iron ore, is a strategic investor in a number of North American and European mining operations and has operated in Ukraine since 1991, primarily in agriculture. Cargill were attracted by the environmental benefits of BKI's product as carbon emissions and sustainability are critical issues for the steel industry. China has been cutting steel production this year to reduce carbon emissions with the Ministry of Ecology and Environment cracking down on producers who failed to implement production curbs during periods of heavy pollution, especially in the major steelmaking city of Tangshan where steelmakers are having to cut emissions by 30-50%.

The offtake agreement is unusual, as you would normally expect it to be at a discount to the benchmark price. Instead the agreement incorporates a profit share so shareholders will benefit from Cargill's ability to leverage BKI's premium product. This is because Shymanivske will produce a high-grade 68% Fe product, which puts it in top 4% for quality globally. Compared to using the benchmark 62% Fe fines, this will reduce CO<sub>2</sub> emissions during steel production by over 30%. We believe Cargill will be able to leverage this to attract an even higher premium for BKI's greener product above and beyond the grade premium.

The finance facility, which ranks as junior debt allows BKI to raise US\$75m towards construction. Combined with the US\$100m royalty agreement and senior debt which is currently being negotiated, this will allow BKI to minimize the equity and shareholder dilution required to fully fund the project.

### Analyst

Dr Mark Heyhoe

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In our model we are using a long term consensus iron ore price of US\$68.75/t to which BKI receive a premium due to the quality of the product. At this price the project NPV<sub>8%</sub> is US\$2.8bn pre-tax and US\$1.8bn post-tax. However, strong demand from China has pushed the benchmark iron ore price (62% Fines China) over US\$200/t and is currently at US\$204.35/t. If this remained the price for the life of the project, then the NPV<sub>8%</sub> would be US\$10bn pre-tax and US\$7.2bn post-tax.

BKI are obviously keen to get the project into production as quickly as possible. The EIA and land transfers in Ukraine are currently progressing and the plan is now to update the feasibility study, negotiate the binding terms for the preferred EPC contractor (which will also invest ~US\$65m into the project) and commence 3rd party due diligence for the senior debt, US\$100m royalty investment and political risk insurance. With this in place, BKI will be in place to commence construction by the end of the year, with first production expected in 2024.

## Research Disclaimers

### Dr Mark Heyhoe

Dr Heyhoe has over 25 years' experience in mining and natural resources. After working initially as a resource geologist in West Africa and then consultant, he spent eight years in the London capital markets focused on mining. More recently before joining Fox-Davies, he has spent the past 5 years as the COO of a Brazilian mining company taking the company from grass roots exploration, through financing, development and into commercial production. Mark has a PhD in geology and geostatistics and is a Fellow of the Geological Society of London.

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Research disclosure as of 25 March 2021

Company Name (the Relevant Issuer)	Disclosure
Black Iron Inc	1, 2

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