

Iron-Ores Rally Could Present an Opportunity for Investors -- SECFilings.com

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Redondo Beach, September 24, 2018 - SECFilings.com, a leading financial news and information portal offering free real time public company filing alerts, announces the publication of an article covering [Black Iron Inc.](#) (TSX: BKI) (OTC Pink: BKIRF) (FSE: BIN).

There's no doubt that commodity prices have been under pressure this year.

Silver and copper are both down nearly 20 percent, platinum is down more than ten percent, gold prices are down more than eight percent, and palladium is down more than five percent since the beginning of the year. Rising interest rates have taken a toll on precious metals and the U.S.-China trade war has taken a toll on industrial metals.

Iron-ore prices are an exception to these trends with tightening supply and growing demand; especially for high-value forms such as pellets and lump, and high iron content concentrates that are more environmentally-friendly than conventional iron-ore.

Investors may want to pay close attention to these trends and consider iron-ore companies that are involved in the higher value market segments.

High Grade Iron Ore Prices on the Rise

The gap between benchmark and high-grade iron-ore has nearly tripled over the past two years. Currently, benchmark 62% iron-ore trades at about \$70 per ton and high grade 65% iron-ore trades at over \$97 per ton, according to the China Iron Ore Spot Price Index, which amounts to a nearly \$30 premium. These trends are driven by China's increasingly strict environmental standards that are impacting steelmakers throughout the country.

Local authorities in Tanshan recently issued a draft document on off-peak production during the autumn-winter period. The plan would classify steelmakers into four categories based on their emissions standards, transportation structure, and product value. Steel mills that fall into the highest category that produce the lowest emissions will be exempted from restrictions, while the rest will need to cut production rates by anywhere from 30 to 70 percent.

Similar environmental inspections have occurred across at least ten Chinese regions, including the top steel-making province of Hebei, resulting in production cuts and reduced demand for iron-ore. With utilization rates already relative high for remaining steel producers, it would be difficult for those that are exempted from the government crackdown to improve output, which could put upward pressure on steel prices over the long-term.

Capitalizing on the Opportunity

Vale SA and Ferrexpo plc are the two most popular producers of high-grade 65% iron-ore. Since iron-ore prices hit a multi-year low in 2015, these stocks have appreciated by about 70% and 225%, respectively. Vale continues to trade near multi-year highs that haven't been seen since 2014 thanks to strong demand. These companies are likely to continue seeing revenue growth over the coming years.

Investors willing to consider development-stage companies in exchange for potentially outsized investment

returns may want to take a look at [Black Iron Inc.](#) (TSX: BKI) (OTC Pink: BKIRF). The company aims to produce a 68% ultra-high grade iron-ore, which exceeds typical 65% premium grade iron-ore standards. Management believes that this purity could command a \$40 per ton premium over benchmark iron-ore prices, particularly as China continues its crackdown on steel emissions.

Assuming a \$62 per ton long-term price for benchmark iron-ore and a conservative iron content premium of \$7 per 1% iron, the company projects a 50% percent after-tax levered internal rate of return. At current prices, the company estimates it could achieve a 68% after-tax levered return given the strong pricing for premium iron-ore. These are compelling returns from a potential pure-play on iron-ore's strength.

The company is advancing its 100% owned Shymanivske Project located in Krivyi Rih, Ukraine into production over the near-term. Due to the very close proximity of major infrastructure—including railway within one mile that accesses five ports located 120 to 250 miles from site, 20 miles from a high voltage powerline and only 5 miles from a city of 750,000 people with highly skilled workforce—the project can be built in a low-cost, phased manner.

CRU, a popular industry publication, recently ranked the company's project as having the lowest business costs (i.e. operating costs adjusted by iron content for product delivered to China) and the second lowest capital intensity in the world.

The project has been discounted by many investors due to Russia's invasion of Ukraine, which led the two largest shareholders to sell out of the project. After the situation stabilized, the company put out revised economics in December of 2017 showing a post-tax unlevered 36.1 percent internal rate of return and a net present value of \$1.6 billion, based on a two-phase build out of the mine and production plant.

Earlier this month, the company announced that it received a formal proposal from Ukraine's government to lease it a plot of land connected to its Shymanivske iron ore body for location of the processing plant, tailings, and waste rock. This marks a significant milestone for the company and demonstrates the Ukrainian government's support for the mine to be constructed.

Management has also been holding discussions with potential offtake partners over the past two months. These agreements could provide the right to purchase its product over a period of time in exchange for a meaningful investment to help fund the project's construction and build out—the final piece of commercializing the venture.

Looking Ahead

The gap between low- and high-grade iron-ore is likely to continue expanding as China continues its crackdown on steelmaker emissions. Investors may want to consider investing in high-grade iron-ore producers to capitalize on these trends.

Vale SA and Ferrexpo plc are the two most popular producers of high-grade 65% iron-ore, and they've certainly benefited from these trends over the past couple of years. While Vale is not an iron-ore pure-play, it does offer significant exposure to the commodity and is among the top high-grade producers in the world. Ferrexpo on the other hand is a Ukraine based iron ore pure play and provides a good benchmark for the return potential of its development peer Black Iron.

Investors that are a little less risk-averse and seeking a potentially high multiple return on investment may want to consider [Black Iron Inc.](#) (TSX: BKI) (OTC Pink: BKIRF)—a compelling turnaround opportunity that's well positioned to capitalize on the market. With China's focus on environmentally-friendly solutions, the company's high-grade iron-ore could command a significant premium in the market when its project comes back online. The infrastructure is already in place and planning is underway to make it a reality.

Please follow the link to read the full article:

<http://analysis.secfilings.com/articles/206-iron-ore-s-rally-could-present-an-opportunity-for-investors>

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