EQUITY RESEARCH

Materials

23 September 2025

Black Canyon Ltd (BCA.ASX)

Low capex 44% Mn opportunity and iron DSO

Event:

- **We initiate research coverage on Black Canyon (BCA).**

Investment Highlights:

- **Manganese focus.** BCA is a manganese explorer/developer, its flagship asset being the Wandanya project in the east Pilbara. Additionally, it has discovered the largest manganese JORC Resources in Western Australia, totaling 314Mt.
- **Wandanya - high-grade Mn.** Wandanya is a greenfields discovery by BCA. With only 6,777m of drilling to date, the company has confirmed a strike of 3km, with mineralisation remaining open to the north, south, and east. Mineralisation is shallow and flat-lying with thickness of around 5m. While the average grade is 28% Mn, segments of high-grade ore range up to 47.9%.
- **Premium 44% Mn product with low impurities and high recovery.** Beneficiation tests on Wandanya ore using simple crush, wash, and screen produced premium 44% Mn concentrate. Deleterious elements were below that of Fastmarkets' benchmark criteria as well as that of ore from Gabon. Yield is 80%, which is high compared to various manganese mines and projects.
- **Iron DSO (direct shipping ore) a bonus**. Drilling also identified a 1km strike of high-grade iron ore mineralisation at Wandanya, with grades up to 64% Fe, an opportunity for DSO. It remains open to the north and south for several km.
- **Wandanya valuation upside of $340M.** While there are no Resources or economic studies yet on Wandanya, we estimate drilling to date has defined 15Mt of manganese ore and 5Mt of iron ore. We derive a Base Case valuation of Wandanya of $250M based on a 15-year mine life producing 0.5Mtpa 44% Mn concentrate, plus 1Mtpa of iron DSO for four years. Our Upside Case valuation is $340M, assuming DSO iron mine life is 16 years based on confirming mineralisation of a 5km corridor.
- **Low start-up capex.** We estimate total capex of $58M for a 1Mtpa plant producing 0.5Mtpa 44% manganese concentrate ($34M), and a 1Mtpa iron DSO operation ($24M), the latter sharing the former's infrastructure.
- **HPMSM opportunity.** BCA previously did HPMSM tests on its KR1 project, which presents an opportunity for Wandanya too, especially given China accounting for >95% of HPMSM and the West's desire for independent supply chains.
- **Near-term work.** These include further metallurgical tests, heritage clearances, final assay results from Phase 3, and a new drilling campaign in 2026.

Earnings and Valuation:

- **We value BCA at $0.85/share, based on 0.4x NPV$_8$ real**. We assume no debt financing and long-term Mn 44% China CIF price of US$5.00/dmtu, iron ore 62% Fe China CFR of US$103/t, and A$ of US$0.68. We expect first earnings in FY29.

Recommendation:

- **We initiate on BCA a Buy and 12-month PT of $0.85/share, based on our risked valuation.**
- **Catalysts for the share price include:** 1) Exploration results; 2) Met studies; 3) Heritage clearances; 4) Grant of Wandanya South tenement; 5) Maiden Wandanya Resource; 6) Scoping study; and 7) HPMSM work.

Disclosures

The analyst owns 72,000 BCA shares. Foster Stockbroking, staff, and Cranport own 4.4% of BCA shares on issue, and 1,428,572 BCA options exercise $0.14 expiry 14 October 2026. Foster Stockbroking received fees from being Joint Lead Manager to the $10M placement of BCA shares at $0.42 in September 2025 and the $2.5M placement of BCA shares at $0.06 in December 2024.

Recommendation	**Buy**
Previous	n/a
Risk	High
Price Target	**$0.85**
Previous	n/a
Share price (A$)	**$0.455**
ASX code	BCA
52 week low-high	$0.048-0.50
Valuation - risked (A$/share)	**$ 0.85**
Methodology	risked NPV
Capital structure	
Shares (M)	157
Market cap (A$M)	71
Net cash (debt) (A$M)	12
Performance rights (M)	2
Options	10
Diliuted EV (A$M)	60
Ave daily volume ('000)	246

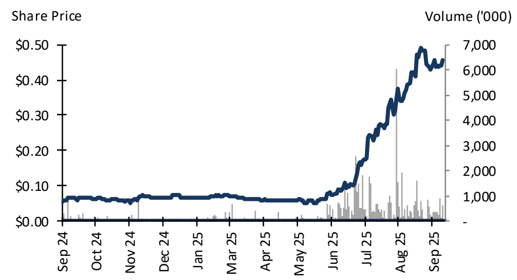
Earnings A$M y/e Jun	FY24a	FY25e	FY26e	FY27e
Sales	0.0	0.0	0.0	0.0
EBITDA adj	-1.3	-1.3	-1.3	-1.3
NPAT reported	-2.0	-1.0	-1.3	-1.2
NPAT adj	**-1.3**	**-1.3**	**-1.3**	**-1.2**
EPS adj. $*	**-0.01**	**-0.01**	**-0.01**	**-0.01**
PE x	**nm**	**nm**	**nm**	**nm**
EV/EBITDA x	nm	nm	nm	nm

** Adj =underlying*

Substantial shareholders	
Nero Resources Fund	6.5%
Lowell Resources Fund	6.1%
Perennial Value Management Ltd	5.4%

Board	
Graham Ascough	Non-Executive Chairman
Brendan Cummins	Managing Director
Simon Taylor	Non-Executive Director
Adrian Hill	Non-Executive Director

Share price graph



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