



# Blackstone battery deal builds nickel potential



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Brenton Reynolds provides corporate advisory and broking services to sophisticated investors and high net worth clients. He has a special interest in commodities, mining, biotechnology and health, and started his career as an associate at West Australian firm Hartleys Ltd 10 years ago. Westar Capital is a West Australian Corporate Advisory and Stockbroking firm focused on investing in small to mid-cap ASX opportunities.

**P**revailing whilst others are flailing, Blackstone Minerals' (ASX: BSX) recent deal with the world's second largest - and Korea's largest - electric vehicle battery cathode manufacturer, EcoPro BM Co, demonstrates exactly why we like this company.

EcoPro – which counts electronic device giant Samsung and electronic component manufacturer Murata among its customers – is investing nearly \$7 million in Blackstone through the placement of 40 million shares at \$0.17 per share. This represents a 62% premium to Blackstone's last traded price before the deal – a huge feat amid recent market volatility. The placement will give EcoPro a 17% stake in Blackstone and a seat on the board.

Blackstone's Ta Khoa project in Vietnam represents a district-scale nickel-PGE sulfide opportunity of a calibre rarely controlled by a

junior company. Ta Khoa hosts the Ban Phuc nickel mine, which operated for 3½ years between 2013 and 2016 before going into care and maintenance when nickel prices hit 10-year lows. Blackstone can quickly bring the project back into production to capitalise on a nickel price revival.

Previous project owners invested more than US\$136m in capital at Ban Phuc, with infrastructure including a 450ktpa processing facility built to international standards, a permitted tailings facility and a modern 250-person camp. The project generated US\$213m in revenue while in production.

Blackstone signed an option agreement for a 90% interest in the project last May in a low risk/high reward deal. As part of the deal with EcoPro, Blackstone must exercise this option by issuing A\$1m of Blackstone shares at the 30-day VWAP.

Since then, Blackstone has drilled 12,000m of diamond core in 65 holes, focusing on the Ban Phuc DSS deposit and King Cobra discovery zone. Results from King Cobra continue to return shallow, high-grade disseminated nickel sulfide mineralisation, providing further evidence of potential improvement in project restart economics.

Blackstone is also examining the potential of in-country downstream processing to deliver high value nickel sulfate into Asia's rapidly expanding electric vehicle (EV) industry through a Scoping Study that's underway. EcoPro has expressed interest in establishing a joint venture on the downstream processing, should the scoping study show a significant benefit.

The study is due for delivery in early 2H CY20, along with a maiden resource. We expect these results may trigger a share price re-rating.

The team behind Blackstone impresses us, with Managing Director Scott Williamson showing he's ready to make his mark on the industry – his ability to secure an offtake deal for Ta Khoa will put this to the test. Mining professional Steve Parsons, an industry heavyweight, is also on the board.

Post COVID-19, we'll be looking for a recovery in the mineral commodities sector and companies with quality projects and management will be the ones that thrive. Blackstone will be among them in our opinion.

Disclosures – The author owns shares in Blackstone Minerals Ltd. In the past two years, Westar Capital Ltd participated in capital raisings for Blackstone Minerals Ltd for which it earned a fee.