

BLACKSTONE MINERALS (BSX)

Good Morning Vietnam

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KEY POINTS

- **Blackstone Minerals (BSX) offers direct exposure to the projected considerable growth in nickel consumption on the back of the increase in EV penetration.** BSX will likely be the first ASX company to build a dedicated downstream nickel processing facility to produce a nickel sulphate for direct transfer into nickel cathode applications.
- **A forgotten nickel asset. Until now.** BSX own 90% of the Ta Khoa nickel project, located in Vietnam. Originally in production during the mid-2010's through Asian Mineral Resources, the high-grade underground project (~2.4%Ni) was closed due to a low nickel price and onerous Government tariffs (20%) on export concentrate. With a smart approach to the project and extensive exploration, BSX believes the opportunity exists for a high tonnage (~4mtpa) low grade (~0.5%Ni) nickel disseminated open pit as well as a narrow high grade underground mine which is then processed downstream in-country to produce a premium nickel sulphate product.
- **The right partner on board.** In April 2020, BSX welcomed EcoPro onto the register via a \$6.8m investment to become BSX largest shareholder at 15.9%. EcoPro is the world's second largest nickel-rich cathode materials manufacturer. In addition to the investment, EcoPro and BSX have agreed to investigate and potentially joint own the downstream processing facility in Vietnam.
- **We pre-empt an attractive scoping study.** We estimate a standalone DSS open pit operation (not too dissimilar to BHP's Mt Keith) would come in at an NPV₁₀ of AUD\$326m, IRR of 31% and a pre-tax free cashflow of ~AUD\$90mpa based on a ten-year mine life. BSX is currently trading at an EV/NPV of 21%.

INVESTMENT VIEW – BUY

We like the story BSX are building at Ta Khoa. Downstream processing of nickel is a smart option and likely to provide a further revenue stream beyond processing their own nickel. We do not see Vietnam as being a jurisdiction risk, in fact it is likely if this project were located in Australia, it would not get off the ground. The proximity to Chinese markets, cheap power and labour, and investment from battery manufacturers to build facilities in Vietnam look to ensure BSX will be at the forefront of the growing battery technology industry in South East Asia. We see upside beyond our Ban Phuc valuation coming from high grade nickel discoveries from the 25+ advanced targets all located close enough to the central Ban Phuc plant as well as further clarity on the including of a high-grade underground operation. Our valuation of \$0.45/sh represents an upside of 51% on the current share price. **We initiate coverage on BSX with a Buy recommendation and a price target of \$0.45sh.**

NEAR TERM CATALYSTS

Scoping study and maiden resource – The maiden resource for Ta Khoa will be released in Q3 of 2020. The resource will be accompanied by a scoping study offering an initial estimate of the value of the project and the development pathways available.

Ongoing drilling and exploration results – With three drill rigs continually spinning, expect assays results to maintain a steady news flow. A major high-grade discovery would be sure to excite the market.

Feasibility studies – Following a successful scoping study, the company will look to commence a more detailed and thorough feasibility study with results likely mid-late 2021.

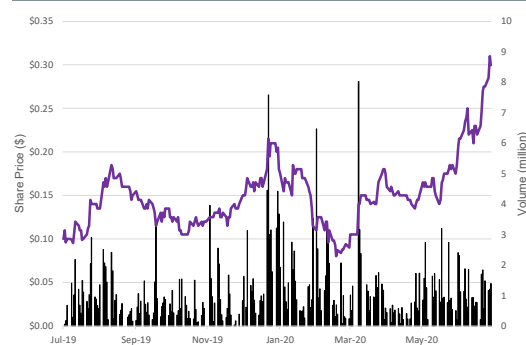
Recommendation	BUY
Previous Recommendation	Initiating Report
Risk Rating	High
Current Share Price	\$0.30
12 Month Price Target	\$0.45/sh
Total Return (Capital + Yield)	51%
Market Capitalisation	\$76m
Liquidity	\$3m/month

Financial Forecasts & Valuation Metrics

Y/e June (\$m)	2019A	2020F	2021F	2022F
Revenue	0.1	0.1	0.1	0.1
EBITDA	(4.2)	(8.0)	(8.1)	(8.1)
NPAT	(4.1)	(8.0)	(8.1)	(8.1)
EPS (cps)	(3.7)	(3.1)	(2.8)	(2.5)
EPS Growth %	Na	na	na	Na
EV / EBITDA (x)	(2.6)	(2.3)	(2.5)	(39.0)
PER (x)	(3.8)	(4.5)	(5.0)	(5.6)
Dividend Yield	0.0	0.0	0.0	0.0

Source: PAC Partners estimates

Share Price Performance



Source: Iress

Risks

Geopolitical Risk: Vietnam is a developing country and subject to emerging country risks. Tariffs and royalties in Vietnam have been historically onerous and there is no guarantee that in-country downstream processing will reduce these royalties sufficiently.

Access to Capital: BSX require ongoing capital to fund future exploration programs and feasibility studies. Sources of capital may not be available when required causing significant disruption to the business and any exploration programs that may be in place.

Reliance on Key Personnel: The board and BSX's geology team are crucial to any successful exploration.

Commodity Price Risk: Geopolitical risks, competitive forces, economic conditions, and changes in commodity applications could see demand for BSX commodities be reduced.

BSX is subject to normal emerging resource company risks of Regulatory & Permitting, Commodity Pricing/FX rate and Environmental/Occupational Health and Safety.

Summary

COMPANY OVERVIEW

Perth based, Blackstone Minerals Limited (BSX) listed on the ASX via an IPO in January 2017. Initially, the company was focused on gold and nickel exploration in Western Australia. BSX shuffled the decks in October of 2017 with the appointment of current Managing Director Scott Williamson following the earlier acquisition of the Little Gem gold/cobalt project in British Columbia, Canada.

With the cobalt price running hot in 2017/2018 BSX started discussions with customers in the battery manufacturing space. These discussions identified nickel as likely to be one of the most in demand metals which led to BSX acquiring the Ta Khoa nickel project in Vietnam in May of 2019. Ta Khoa is now the primary focus of the company with extensive exploration work conducted since acquisition and a clear path to project development and nickel production.

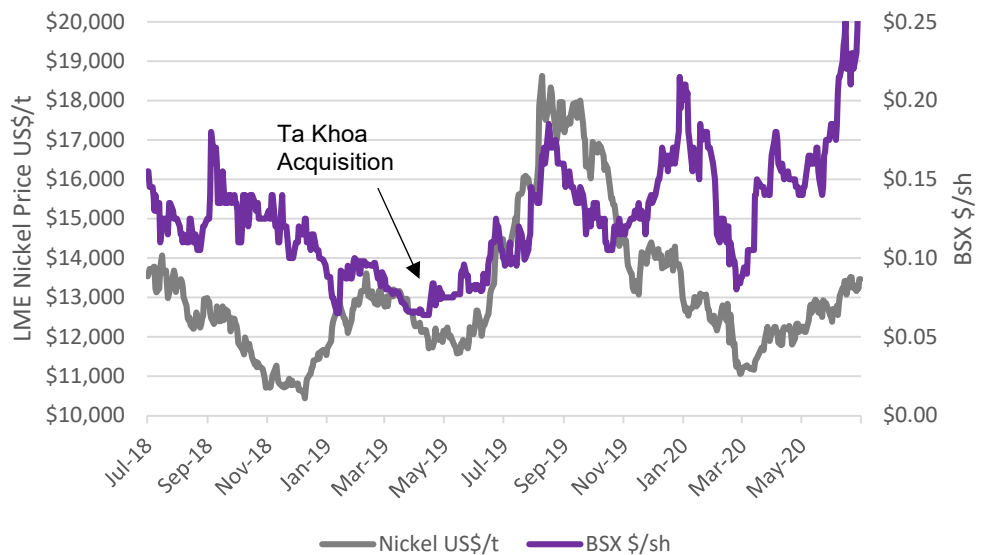
Upon the Ta Khoa acquisition, the BSX share price tracked the nickel market. It has since become apparent the extensive exploration work has added significant value and the share price has become disconnected to a degree from the prevailing nickel price.

BSX has ~\$6.5m in cash after a strategic share purchase agreement was signed with EcoPro, the world's second largest nickel-rich cathode materials manufacturer. The placement consisted of 40m shares at \$0.17 per share, a premium of 62% to the last traded price at the time. Eco Pro now hold 15.9% of the Company and board representation.

EcoPro needed certainty of nickel supply to meet forecast demand. This investment now provides that certainty and allows for BSX to leverage off EcoPro's skills and contacts in the nickel- in-battery sector.

The investment also gives weight to the near-term production potential of the project

Figure 1: 2 Year BSX \$/sh vs Nickel US\$/t



Source: Iress

Ta Khoa

PROJECT SUMMARY

BSX holds 90% interest in Ta Khoa. The acquisition was agreed to in 2019, with ownership officially transferring to BSX in April 2020. The acquisition price was \$1m worth of BSX shares based on the 30-day VWAP at the time of acquisition. A total of 8.6m shares were therefore issued to Ta Khoa Mining Limited. A local and supportive Vietnamese industrial conglomerate, COXAMA, hold the remaining 10% of Ta Khoa.

The project is located 160km west of Hanoi in the Son La Province. The mine is accessible from Hanoi via a 240km sealed road providing year-round access. The project includes a 450ktpa process plant connected to local hydro grid power, a permitted tailings facility, 250-man camp existing underground development, workshops, laboratory, and fabrication facilities.

Figure 2: Ta Khoa Location Map

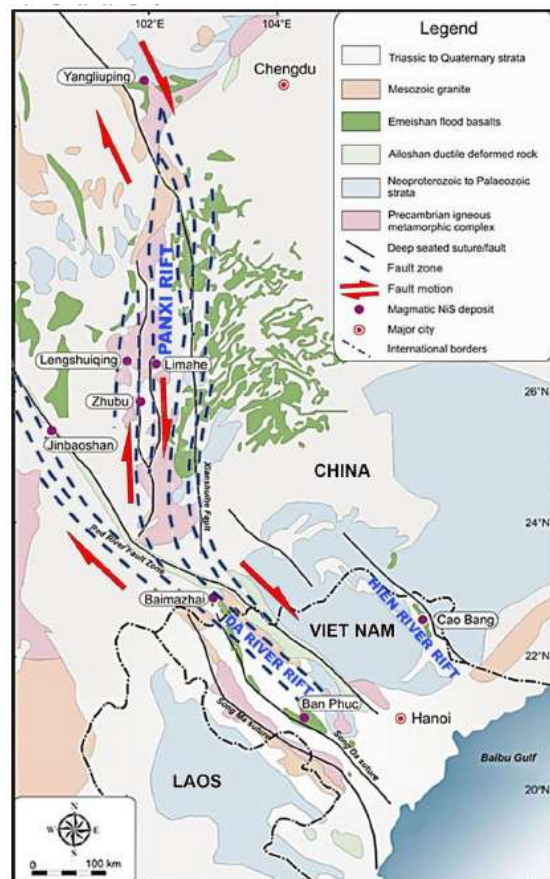


Source: BSX

GEOLOGY AND MINERALISATION

Ta Khoa is located within the Song Da Rift Zone, a major crustal structure which continues north into China and hosts prominent nickel-copper-PGE sulphide deposits Baimazhai, Yangliuping, Jinbaoshan, and Limahe. The structure has a tectonic and structural setting analogous to major Ni-Cu deposits such as Norilsk and Jinchuan.

Figure 3: Regional Geology

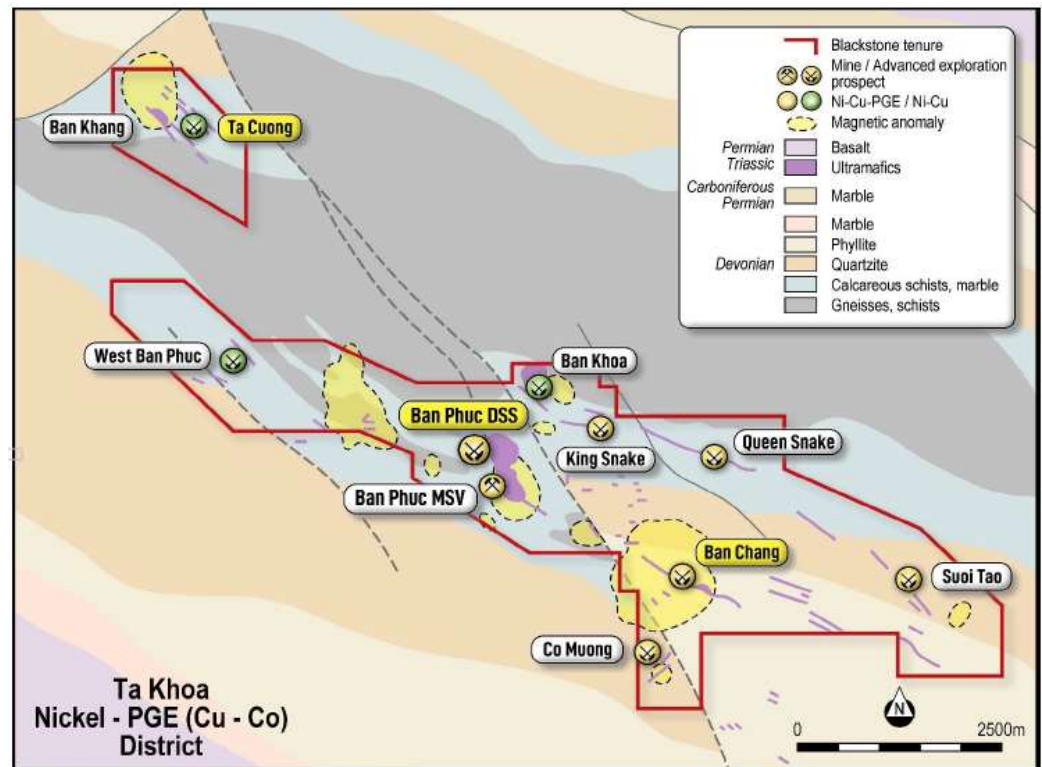


Source: BSX

Mineralisation takes the form of high-grade massive sulphide veins hosted in metasedimentary rocks adjacent to ultramafic intrusions with locally developed low-grade disseminated mineralisation marginal to the massive sulphides. Further low grade disseminated mineralisation occurs in cumulate layers near the base and walls of the ultramafic intrusions.

The company is focusing on the Ban Phuc disseminated and the Ban Phuc massive sulphide prospects, located centrally within a land package that contains a further 25 prospects, many of which look like hosting high grade massive sulphide mineralisation. Advanced prospects located within 5km (trucking distance) of Ban Phuc are being prioritised for exploration.

Figure 4: Ta Khoa Prospects



Source: BSX

PROJECT HISTORY

The project was initially discovered in 1945 with the original focus being on copper by local geologists. It was not until 1996 when Asian Mineral Resources (AMR) commenced modern exploration in the region and defined a mineral resource at Ban Phuc.

Mechanised underground mining commenced in 2008, however, was short lived due to the global financial crisis. In 2012, the project restarted production and operated through until mid-2016 producing 20.7kt of nickel and 10.1kt of copper. Average grade during this period was 2.4% nickel and 1.0% copper. The project entered care and maintenance due to low nickel prices and the overly onerous tariff regime put in place by the Vietnamese government on export concentrates. In total US\$136m of capital was invested into the project and revenues during the 3.5 years of operation exceeded US\$213m.

Pala Investments, the major shareholder of AMR, divested their 90% ownership of the project essentially for free to Ta Khoa Mining Limited, a company established by AMR’s long term in-country manager Stephen Ennor. BSX purchased the project rights from Mr Ennor for a consideration of \$1m in BSX shares. BSX retain associated long-term tax liabilities of ~US\$3.5m.

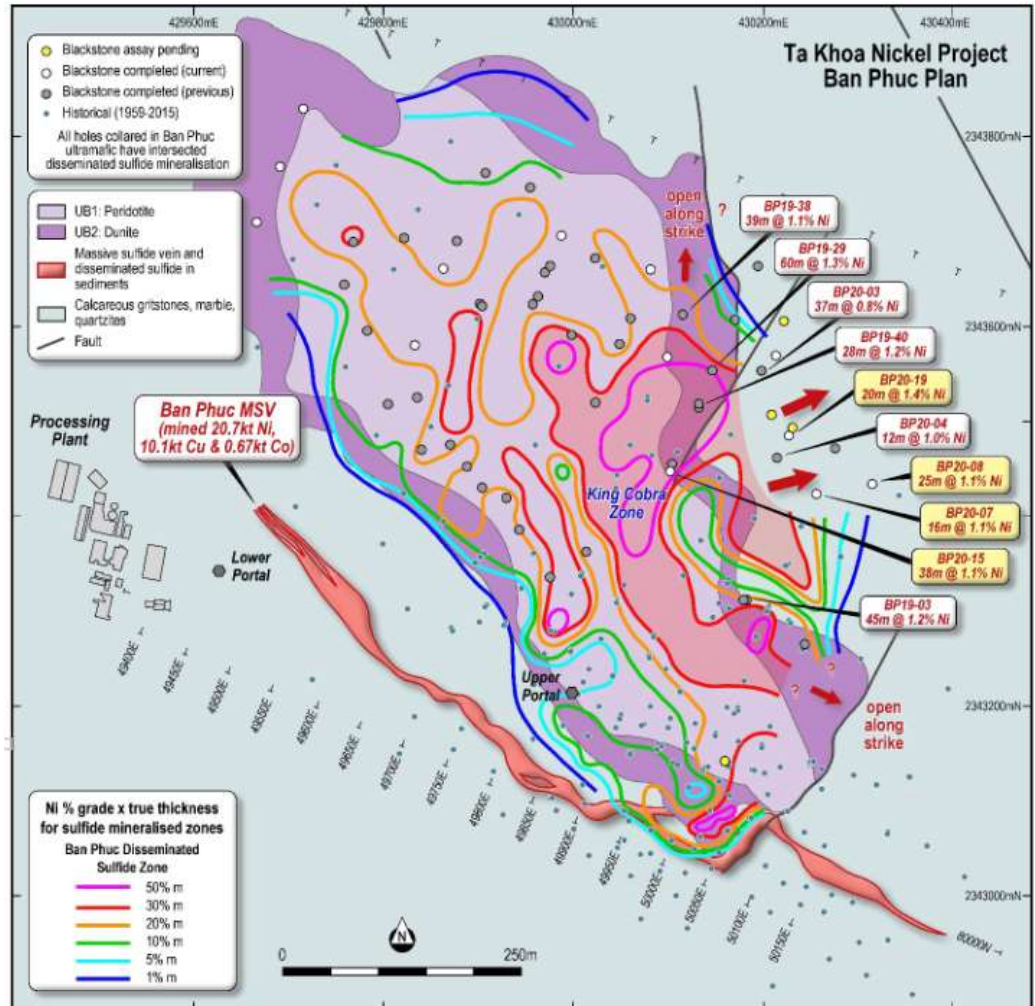
Vietnamese tariffs on concentrate export was 20% at the time of production

BAN PHUC

Previous exploration and production focused on the high-grade massive sulphide (MSV) mineralisation at Ban Phuc. By viewing the opportunity in a different manner, and through an extensive exploration program consisting of 12km of drilling, BSX has identified a large tonnage low grade disseminated (DSS) opportunity adjacent to the known massive sulphide mineralisation in which they believe offers the potential for a viable large-scale open pit operation.

Figure 5: Ban Phuc Project

Mineralisation is open along strike and down dip



Source: BSX

The DSS mineralisation does not have a JORC compliant resource. The geometry is yet to be fully defined with mineralisation extending over an area of 1km x 0.5km and remaining open along strike to the SE and down dip towards the NE.

Exploration at the Ban Phuc DSS project has led to the discovery of the higher-grade King Cobra zone located within the footprint of the DSS. King Cobra has a 200m strike length and open along strike and down dip. Recent drilling intersections of note include;

Thick intercepts suggest a large higher-grade zone within the DSS footprint.

- 38m @ 1.1% Ni
- 59m @ 0.9% Ni
- 49m @ 0.8% Ni
- 16m @ 1.8% Ni
- 20m @ 1.4% Ni

The discovery of King Cobra suggest Ban Phuc has two thick overlying sheet-like zones of disseminated mineralisation (referred to as the KCZ) and the underlying Ban Duoi Zone (BDZ). The KCZ and the BDZ are hosted within the Ban Phuc ultramafic intrusive and converge and dip to the north east. The Company theorise that the KCZ and the BDZ are distinct phases of mineralisation related to different intrusive pulses and that together they vector down dip toward a potentially high

grade “feeder zone”. The testing of this theory is underway with the hope of finding this “feeder zone”.

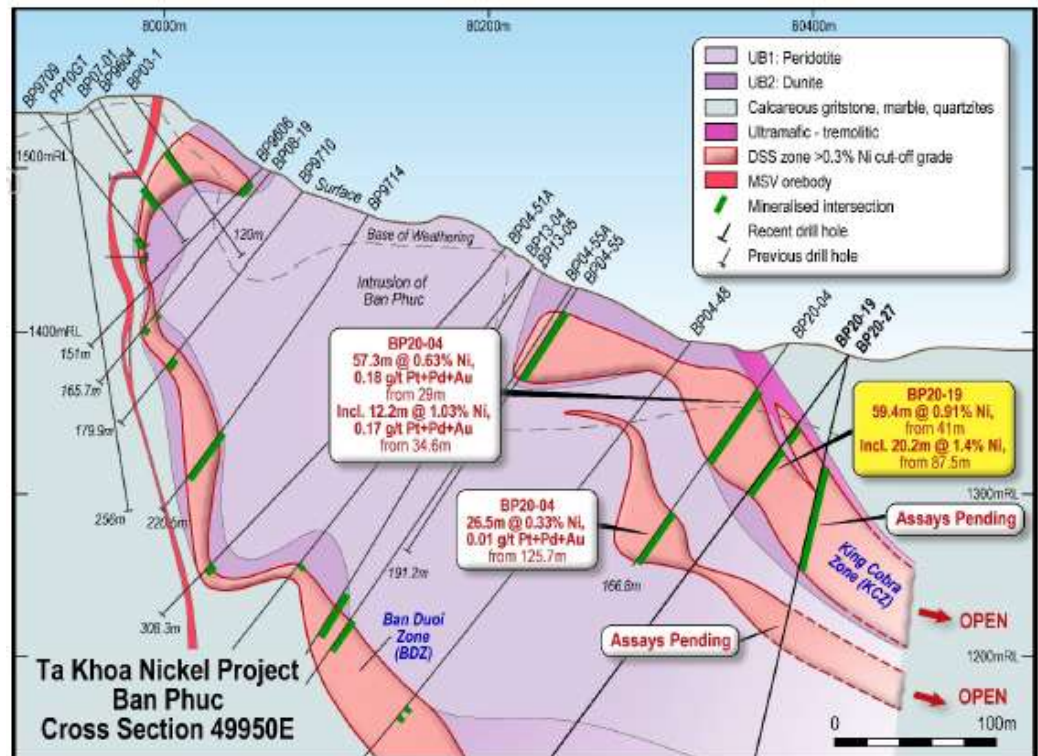
Although the overall grade of the disseminated ore body appears to be low ~0.5% Ni, the concept of a bulk tonnage low grade operation has merit because of:

- Thick accumulations of nickel sulphide mineralisation across a large area.
- Multiple stacked layers of disseminated mineralisation hosting higher grade intervals.
- The King Cobra high grade zone located near surface.
- Significant concentrations of PGE in all drilling to date within the DSS boundaries.

Metallurgical test work on the DSS mineralisation is underway to determine specific processing requirements. We know from prior operations on the Ban Phuc MSV the concentrate produced was ~9-10% nickel at recoveries in the range of 85-90% with low levels of smelter penalty elements.

Figure 6: Cross Section showing location of King Cobra within larger DSS Zone

Higher grade zones close to surface will be beneficial cashflow wise when in production.



Source: BSX

RESOURCE ESTIMATE

Maiden resource estimate is due Q3 2020

The project currently does not have an estimated resource. A maiden resource is expected to be released in Q3 of 2020. Our understanding of the geology at Ban Phuc indicates a maiden resource could be in the order of 30-50mt @ 0.5%Ni for 150kt -250kt of nickel metal. This resource excludes the higher-grade zones outside of the Ban Phuc footprint yet to be fully defined.

EXPLORATION POTENTIAL

Tietto (TIE) also own rigs and continually drill Abujar racking up 5-7,000m/mth. Resource has grown 214% in just two years using this strategy

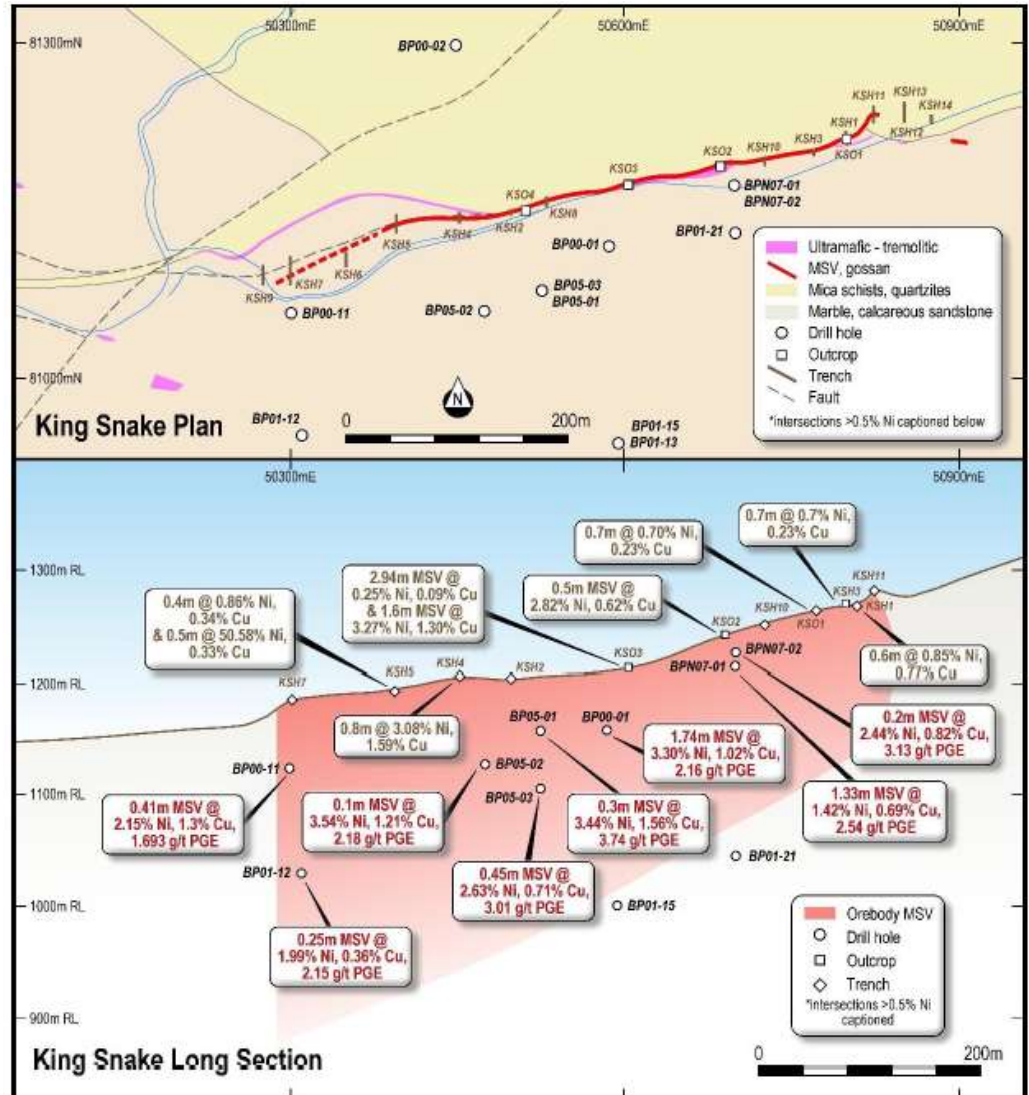
We believe there is significant exploration potential in the Ta Khoa district. BSX own three drill rigs which are constantly spinning to shore up the maiden resource and to explore the high-grade nickel sulphide targets, many of which are outcropping at surface. Drilling in Vietnam is cheap at ~60% lower than Australian costs due to the lower cost of labour. We know from past examples, particularly in Africa were cost are also low, continuous drilling campaigns lead to rapid and significant resource growth.

Current prospects being tested included King Snake, Ban Chang, Ban Khoa and Ta Cuong.

King Snake

The King Snake MSV prospect shows mineralisation occurring over a 600m long strike length. The mineralisation does appear to be narrow however, with average thickness between 0.2-3.0m and widths averaging 0.62m. Average grade was 1.79% Ni and 0.7% Cu. The deposit remains open at depth and BSX intend to identify zones of broader mineralisation associated with the known MSV mineralisation.

Figure 7: The King Snake Prospect



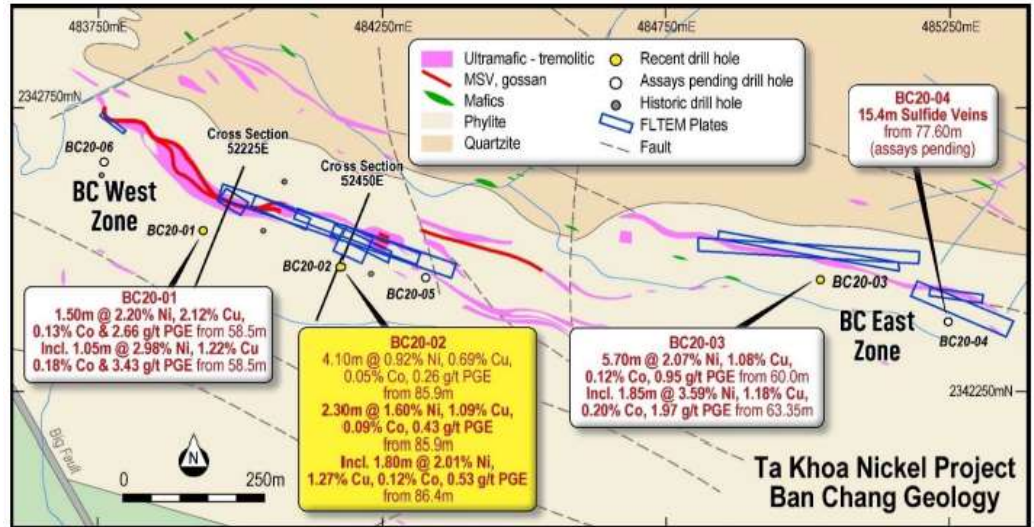
Source: BSX

Ban Chang

Ban Chang is located ~2.5km from Ban Phuc. The maiden four-hole drilling program intersected MSV in all four holes within a 1.2km long strike zone. Assays have been received for three of the four holes with promising high-grade intersections including;

- 5.2m @ 0.66% Ni, 0.73% Cu, 0.04% Co and 0.79g/t PGE from 58.0m, including 1.05m @ 2.98% Ni, 1.22% Cu, 0.18% Co and 32.43g/t PGE.
- 4.1m @ 0.92% Ni, 0.69% Cu, 0.05% Co and 0.26g/t PGE, including 1.8m @ 2.01% Ni, 1.27% Cu, 0.12% Co and 0.53g/t PGE.
- 9.8m @ 1.45% Ni, 0.9% Cu, 0.08% Co and 0.7g/t PGE including 1.85m @ 3.59% Ni, 1.18% Cu, 0.20% Co and 1.97g/t PGE.

Figure 8: The Ban Chang Prospect



Source: BSX

Ban Khoa

Ban Khoa has never been tested using modern exploration techniques. Early work by Vietnamese geologists suggest a potentially large-scale low grade DSS system may be present with 25m @ 0.8% Ni encountered.

Ta Cuong

The Ta Cuong MSV prospect has only recently been identified as a prospect with an EV survey and following up drilling to commence imminently. Ta Cuong is located 6km along strike from Ban Chang and proximal to a major regional structure that is also close to the Ban Phuc and Ban Chang mineralisation. Historical assays include 15.6m @ 0.66%Ni, 0.6% Cu, 0.04% Co and 0.31g/t PGE from a limited and small historical drilling campaign.

SITE INFRASTRUCTURE

The site infrastructure has been well maintained since being placed in care and maintenance in 2016. The process plant has been designed and built to international standards and sized to meet production of 450ktpa. A number of critical spares remain in new condition in the onsite warehouse. Power is cheap as it is sourced from a fully renewable and reliable hydro grid power supply. The tailings storage facility it fully permitted and currently has excess capacity as well as expansion options available.

Producing nickel for EV batteries and utilising hydro power on site. BSX ticks the ESG box

Figure 9: The Ban Phuc Process Plant



Source: BSX

DOWNSTREAM PROCESSING OPPORTUNITY

An opportunity exists to establish a downstream processing facility in Vietnam. The benefits of processing Ta Khoa nickel within Vietnam would eliminate or substantially reduce government mineral tariffs while also providing a cheaper alternative to nickel processing than currently exists in China. BSX and EcoPro (BSX's, largest shareholder) have agreed to jointly undertake feasibility studies on the merits of building a downstream facility in Vietnam with the potential for this facility to be joint owned and funded by BSX and EcoPro. The facility would be sized to be able to process all the Ta Khoa nickel as well as third party concentrate, potentially offering an additional source of revenue and earnings for the Company.

Typically, nickel is sold as a concentrate at ~10-15% nickel which attracts a ~70% nickel payability

Apart from the advantage in offsetting government tariffs, by further processing concentrate into a nickel sulphate product, the nickel payabilities increase substantially to the point were close to 100% of contained nickel in payable. There will also be synergies in having the facility in country such as freight and export/import charges.

BSX are collaboratively working with Curtin University on a new, low cost environmentally friendly glycine leach process to deliver a nickel sulphate product. Should the study be successful, the opportunities to cheaply process nickel concentrate into a nickel sulphate product, will put the Company at the forefront of nickel in battery technology.

VIETNAM

First impressions of Vietnam, as an investment jurisdiction, would be that it may come with too much geopolitical risk. However, when you take a deeper dive, first impressions can be misleading. Vietnam's economy grew at ~7% in 2019 driven by robust domestic demand and export orientated manufacturing. Covid has had little health impact on the Country with rapid and proactive mitigation measures being enforced early in 2020. The economy fared worse with GDP growth for 2020 now forecast to slow to 3-4%, down from pre-covid levels of 6.5%.

South Korean businesses in particular are investing significantly in Vietnam manufacturing facilities with the likes of Samsung, LG Chem, Hyosung Group and Kumho Asiana Group all active in the region

Vietnam look to be one the major beneficiaries from the China-US trade war. The cost of labour in Vietnam is roughly half that of China and a number of export manufactures are setting up shop in Vietnam to take advantage of these lower operating costs and to reduce the risk of further trade tensions between the US and China.

SO, WHATS BAN PHUC WORTH IF DEVELOPED?

Given the absence of a scoping study or any other operating metrics provided by the Company, we have modelled our own desktop scoping study for Ban Phuc assuming a bulk tonnage open pit and downstream processing scenario. We make estimates based on our own assumed operating costs and those of similar projects globally in order to provide some form of early indication on the value of Ban Phuc. Our major assumptions are listed below:

Figure 10: Key Assumptions

Item	Assumption
Production	4mtpa
Mine Life	10 years
Head Grade	0.5%Ni
Dilution	5.0%
Stripping Ratio	2.5:1
Recovery	60%
Con Grade	10%
Mining Cost US\$/mined tonne	\$2.20/t
Processing Cost US\$/milled tonne	\$11.00/t
G&A Cost US\$/milled tonne	\$2.00/t
Royalty	5.0%
Sustaining Capex \$USm per year	\$3mpa
Nickel Payable	70.0%

We see upsides in recovery, addition of higher-grade underground ore, head grade and mine life

Mine/Process Plant Capex \$USm	\$100m
Downstream Plant Capex \$USm	\$130m
Downstream Processing Cost US\$/con tonne	\$100/t
Downstream Nickel Recovery	98%
Downstream PGE Recovery	33%
Corporate Tax Rate	20%
Tax Holiday	3 years
FX Rate AUD:US	0.7
Nickel Price US\$/t	\$15,000-\$17,000
Discount Rate	10%
Project NPV AUD\$m	\$326m
IRR	31%

Source: PAC Partners Estimates

We estimate a base case NPV of Ban Phuc at \$326m and an average pre-tax free cashflow of ~\$90m/yr life of mine and an IRR of 31%. We exclude any high-grade underground operations given we do not yet have visibility on the potential size, however, we do believe there is the potential for a 300-500ktpa underground production at 1.5-2.0%Ni. We include the downstream processing scenario to mitigate the onerous ~20% government tariffs which is the Company's intention to pursue. NPV represents 100% ownership of the project. The project is highly sensitive to nickel recovery and the nickel price.

Looking at alternatives, if we were to assume no downstream processing were possible and the project went down the path of exporting concentrate and enduring a 20% export tariff, the Ban Phuc open pit would likely become unviable. At current nickel prices a small high grade underground operation may still be viable.

Large upside if in fact the predicted nickel shortage towards end of the 2020's comes to fruition

Figure 11: Scenario Analysis

Variable	NPV +5%		NPV -5%	
	AUD\$m	% to Base	AUD\$m	% to Base
Nickel Price	387	19%	264	-19%
FX Rate	310	-5%	343	5%
Nickel Recovery	387	19%	265	-19%
Mining Cost	315	-3%	337	3%
Processing Cost	310	-5%	342	5%
Downstream Cost	322	-1%	330	1%
Capex	311	-5%	341	5%

Source: PAC Partners Estimates

Other Projects

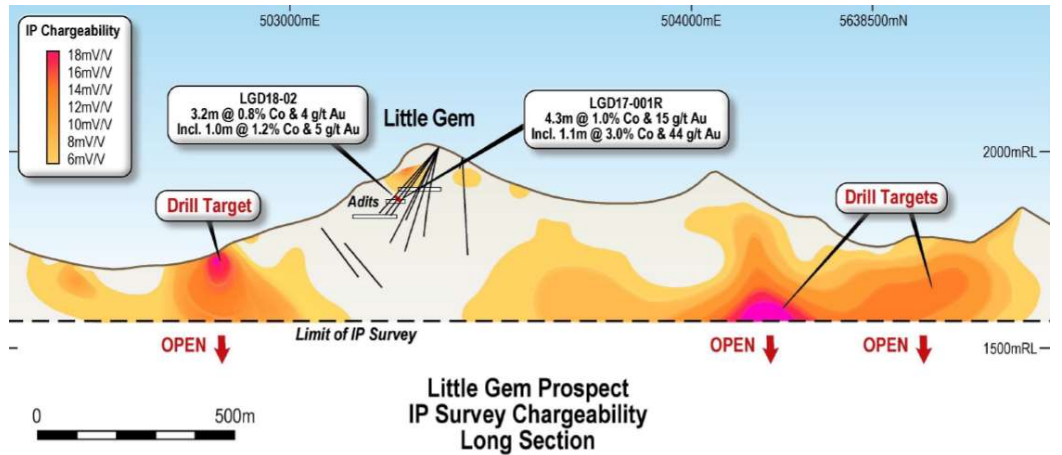
GOLD BRIDGE COBALT/GOLD PROJECT

Gold Bridge, previously known as Little Gem, is located 180km north of Vancouver in British Columbia, Canada. BSX acquired the project in October 2017 and has since performed an extensive exploration program including stream sediment, soil sampling and mapping program long with some initial drilling. This exploration program has identified a number of major copper-gold-cobalt targets with soil anomalies indicating a large sulfide bearing body may be present at depth. The company believe the project has a similar geological setting to the world class Bou-Azzar cobalt district in Morocco in which mineralisation occurs near the contact of the serpentinised ultramafic and quartz diorite. Gold Bridge share these same mineralisation characteristics. Grades of up to

2.3% Co, 1.6% Cu and 1.1% Ni have been assayed from surface samples and the initial small-scale exploration program struck 1.1m @ 3.0% Co, and 44g/t Au and 1.0m @ 1.2%Co and 5g/t Au. The project may host a small resource of high-grade cobalt.

Like nickel, cobalt will be a beneficiary of the EV growth thematic. The project warrants further exploration

Figure 12: Gold Bridge - Little Gem Prospect Long Section



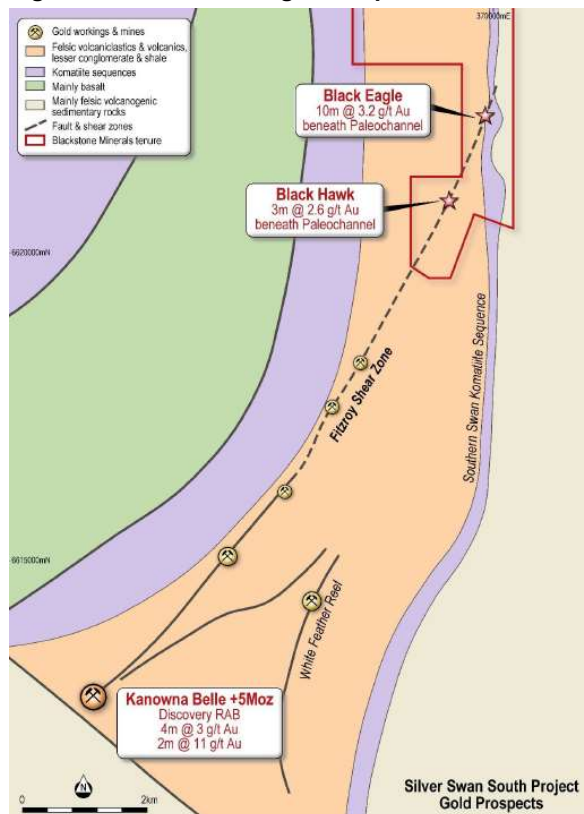
Source: BSX

The company continues to identify exploration targets; however, the main focus is on Ta Khoa and the project has taken a back seat for the time being. We believe the Company would be open to full/part divestment or earn-out agreements on the project.

SILVER SWAN SOUTH

The Silver Swan South project covers 38.5km2 and lies between Poseidon’s (POS) Black Swan nickel mine (pre mining reserve 655kt @ 9.5% Ni) and Northern Stars’ (NST) Kanowna Belle gold mine (5moz endowment). Promising prospects include Black Eagle with recent air core drilling intersecting gold mineralisation including 10m @ 3.2g/t Au from 68m and 15m @ 2.2g/t Au from 64m. Black Eagle sits along strike and just 8km from Kanowna Belle. Like Gold Bridge, prospects continue to be identified, however progress has been slowed with Ta Khoa taking precedence.

Figure 13: The Black Eagle Prospect



Source: BSX

Nickel

Nickel’s predominant use is in stainless steel, accounting for 69% of consumption. Economic growth drives stainless steel consumption which then generally flows through to the nickel price. Although consumption will not meet that of stainless steel, the market is changing for the metal, with demand set to increase significantly with the rising penetration of electric vehicles. Nickel is a crucial raw material in lithium-ion batteries using nickel cathodes such as the NCM811 battery which contains 80% nickel in the cathode chemistry.

A nickel sulphate product will likely attract a significant premium if forecast growth is even remotely in line with these estimates

Some estimates point to nickel in sulphate demand (processed nickel used in battery chemistry) rising from 211kt in 2019 to 450kt (CAGR 9.93%) in 2027 and 800kt (CAGR 8.7%) in 2035. Other data suggest nickel demand for battery use could grow 1400% over the next decade. Just days ago during Tesla’s second quarter earnings call, CEO Elon Musk, pleaded mining companies to “please mine more nickel” and “Tesla will give you a giant contract for a long period of time if you mine nickel efficiently and in an environmentally sensitive way”

Consensus estimates suggest the nickel market will remain in a slight surplus in 2020 due to covid impacts, before moving into deficit in 2021. In order to incentivise new nickel projects to come into production, the nickel price will need to be higher than the current price. Consensus nickel forecasts see the nickel price climbing to ~\$US17,000/t in 2023-24. The downside risk to the nickel price remains the ability for some of the large HPAL project in Indonesia to come into production which could add significant (160ktpa) of nickel into the supply chain. Given the complex nature of these projects and the associated environmental impacts, it is likely these projects will not come online as rapidly or at sufficient capacity in the short to medium term.

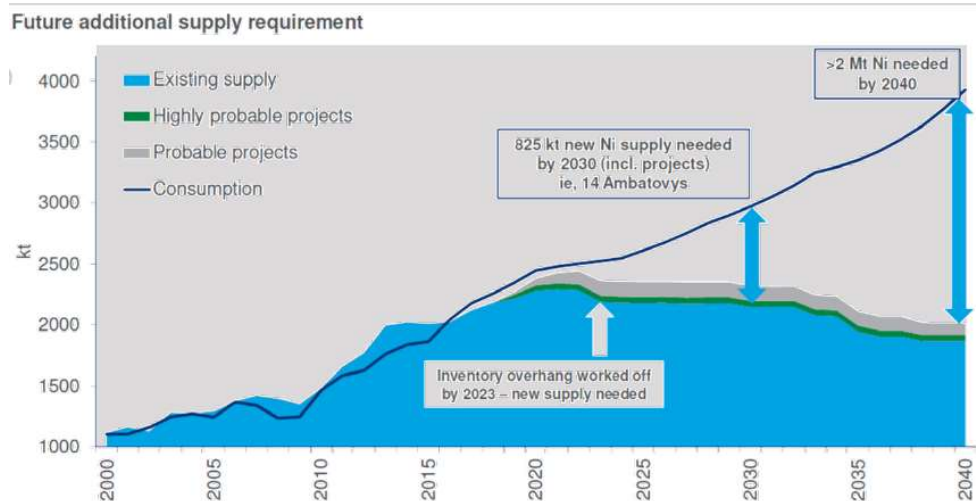
Figure 14: LME Nickel Cash Prices



Source: Iress

Figure 15: Future Nickel Supply Deficit

Exposure to nickel in any portfolio with a long-term strategy is a must



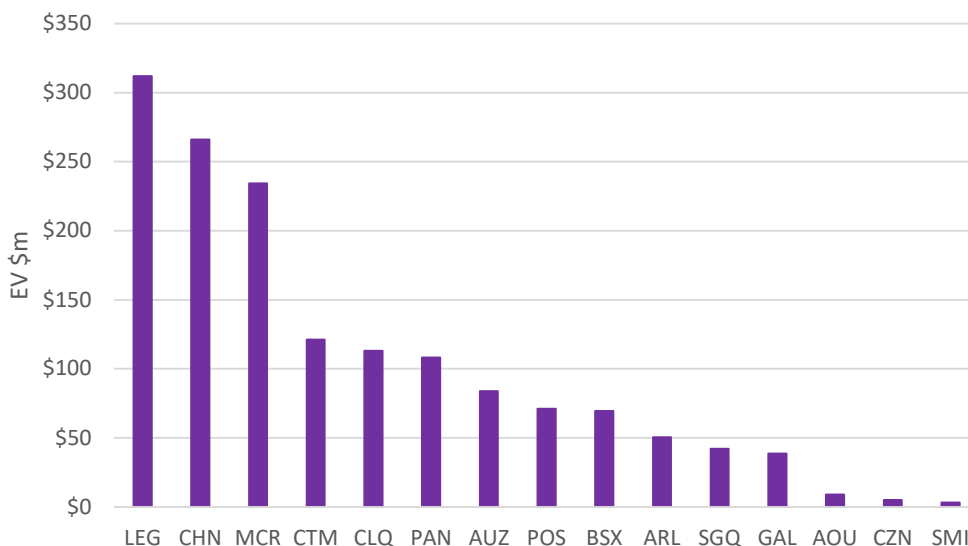
Source: BSX

Peers

Direct ASX listed comparisons with BSX are limited. The Ban Phuc project is a bulk tonnage nickel sulphide project, whereas the majority of ASX nickel companies are high grade sulfide underground projects, or lower grade nickel laterite projects. Centaurus (CTM) are the closest direct peer given the large resource of 48mt @ 1.08% Ni in Brazil, amenable to bulk tonnage mining. After IGO shelved their downstream processing strategy after securing better payabilities on nickel concentrate, BSX remain the only company with direct exposure to producing battery grade nickel sulphate products in house.

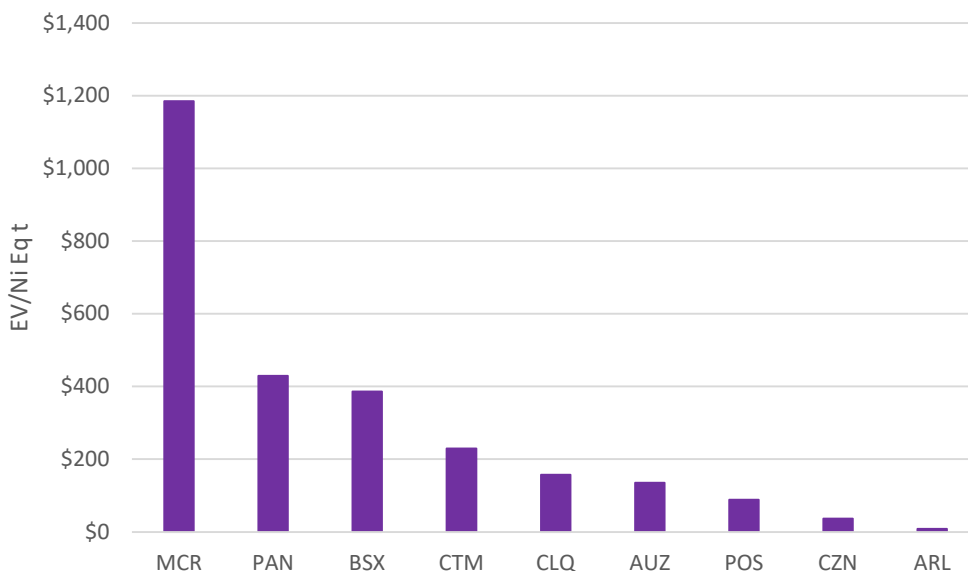
Figure 16: Nickel Peer Group EV

BSX well positioned to trade at a higher EV/NiEq closer to MCR once closer to production



Source: Iress, Company Reports

Figure 17: Nickel Peer Group EV/Ni Eq tonne



Source: Iress, Company Reports

Investment View, Valuation and Catalysts

EcoPro has access to debt on favourable terms and we estimate debt will fund the majority of the project.

Upside in exploration success and further clarity around the underground mining option

With three drill rigs continually spinning, expect assay results and discovery news flow to be consistent throughout the back half of 2020

COMPANY VALUATION

We derive our valuation using our DCF analysis of the Ban Phuc DSS project only as a base case scenario. We risk weight 50% given development risk and uncertainty around our assumptions. We assume the downstream process facility will be jointly funded and owned by EcoPro and BSX via a 50:50 JV or similar agreement. We therefore factor in only half of the cash flow and the capex for this scenario. We assume BSX retains 90% ownership of Ban Phuc and the minority partner is able to front up with 10% of the upfront capex. We assume the project will be funded via 10% equity funding at an issue price of \$0.35/sh. We also assume a further \$20m in capital prior to construction to fund further drilling and feasibility studies. We assume the conversion of unlisted options and performance rights for a fully diluted shares on issue of 404m. Our fully risked and diluted valuation for BSX is \$0.45/sh.

Figure 18: Valuation

Valuation	\$m	\$/sh
Ban Phuc DSS	\$158.1	\$0.39
Ban Phuc Underground value add	\$20	\$0.05
Ta Khoa Exploration	\$15	\$0.04
Other Projects	\$5	\$0.01
Corporate	-\$21.5	-\$0.05
Cash	\$6.5	\$0.02
Total	\$183.1	\$0.45

Source: PAC Partners

On an unrisks basis, assuming BSX fully fund and operate the downstream processing facility, BSX could eventually be valued ~ \$0.80-\$1.00/sh based on our scoping study assumptions. The downside risk is that downstream processing is not possible for whatever reason and the project exports concentrate under the onerous 20% tariff regime. In this instance the value of Ta Khoa would likely be reduced by ~80% considering underground resources may still become viable on a small-scale operation.

INVESTMENT VIEW – BUY. PT \$0.45/SH

We like the story BSX are building at Ta Khoa. Downstream processing of nickel is a smart option and likely to provide a further revenue stream beyond processing their own nickel. We do not see Vietnam as being a jurisdiction risk, in fact it is likely if this project were located in Australia, it would not get off the ground. The proximity to Chinese markets, cheap power and labour, and investment from battery manufacturers to build facilities in Vietnam look to ensure BSX will be at the forefront of the growing battery technology industry in South East Asia. We see upside beyond our Ban Phuc valuation coming from high grade nickel discoveries from the 25+ advanced targets all located close enough to the central Ban Phuc plant as well as further clarity on the including of a high-grade underground operation. Our valuation of \$0.45/sh represents an upside of 51% on the current share price. **We initiate coverage on BSX with a Buy recommendation and a price target of \$0.45sh.**

UPCOMING CATALYSTS

Scoping Study and Maiden Resource – Q3 2020

The maiden resource for Ta Khoa will be released in Q3 of 2020. The resource will be accompanied by a scoping study offering an initial estimate of the value of the project and the development pathways available.

Ongoing Drilling – 2H 2020

With three drill rigs continually spinning, expect assays results to maintain a steady news flow. A major high-grade discovery would be sure to excite the market.

Further Feasibility Studies – 2021

Following a successful scoping study, the company will look to commence a more detailed and thorough feasibility study with results likely mid-late 2021.

A solid, well experienced, and highly credentialed management team with a proven track record

EXECUTIVE TEAM

Hamish Halliday	<i>Non-Executive Chairman</i>
Scott Williamson	<i>Managing Director</i>
Andrew Radonjic	<i>Non-Executive Director</i>
Steve Parsons	<i>Non-Executive Director</i>
Hoirim Jung	<i>Non-Executive Director</i>
Dr Stuart Owen	<i>Exploration Manager</i>

PROFILES

Hamish Halliday – Non-Executive Chairman

Mr Halliday is a geologist with more than 20 years of corporate and technical experience in the resources industry. Mr Halliday has been involved with a number of successful resource projects including as the CEO of Adamus Resources, and holding directorships at Venture Minerals (VMS), Comet Resources (CRL) and Alicanto Minerals (AQI). Mr Halliday holds interest in 9.481m shares and 2m performance options in BSX.

Scott Williamson – Managing Director

Mr Williamson is a mining engineer with more than 10 years' experience in the mining and finance sectors across a variety of technical and corporate roles. Mr Williamson was previously the Investor Relations Manager at Resolute Mining (RSG) and a senior equities analyst for Hartley's. Mr Williamson holds interest in 3.25m shares and 4.75m performance options in BSX.

Andrew Radonjic – Non-Executive Director

Mr Radonjic is a geologist and mineral economist with over 30 years of experience in mining and exploration focusing on gold and nickel. Mr Radonjic held senior positions in gold operations in the goldfields region of Western Australia and was responsible for a number of gold discoveries totalling in excess of 3m ounces. Mr Radonjic is currently on the board of Venture Minerals (VMS) and Fin Resources (FIN). Mr Radonjic holds interest in 6.309m shares and 1.5m performance options in BSX.

Steve Parsons – Non-Executive Director

Mr Parsons is a geologist with more than 20 years' experience in mining and exploration. Mr Parsons has a track record in mineral discoveries and creating shareholder wealth and is currently the Managing Director of Bellevue Gold (BGL). Mr Parsons is also on the board of African Gold (A1G) and often provides corporate advice to a number of listed ASX companies. Mr Parsons holds interest in 8.622m shares and 1.5m performance options in BSX.

Hoirim Jung – Non-Executive Director

Mr Jung is EcoPro's representative on the board and comes with a decade of financial management experience in financing and feasibility studies of resource projects. At EcoPro, Mr Jung has been responsible for securing financing for precursor businesses as well as corporate strategy and business development. Prior to joining EcoPro in 2016, Mr Jung has held positions at KPMG Samjong and Atinum Partners. Mr Jung does not hold any personal interest in BSX shares.

Dr Stuart Owen – Exploration Manager

Dr Owen is a geologist with over 20 years' experience in mineral exploration. Dr Owen was part of the team that discovered the Paulsen's gold mine, the Southern Ashanti gold deposits, and the Mt Lindsay Tin-Tungsten project.

MAJOR SHAREHOLDERS

Figure 19: Top Twenty Shareholders (as at 30th June 2020)

Rank	Name	Balance	% Held
1	EcoPro	40,000,000	15.9%
2	Delphi Unternehmensberatung	21,059,784	8.4%
3	Deutsche Balaton	12,600,000	5.0%
4	Mr Hamish Halliday	9,481,383	3.8%
5	Mt Stephen Parsons	8,622,421	3.4%
6	Ta Khoa Mining	8,600,000	3.4%
7	Acuity Capital	8,000,000	3.2%
8	Mr Andrew Radonjic	6,308,751	2.5%
9	DBS Bank	6,184,423	2.5%
10	Mr Maximilian Ludowici	4,692,585	1.9%
11	Ms Kiri Dorji	3,550,001	1.4%
12	Mr Scott Williamson	3,250,000	1.3%
13	Mdms Beverley Lumb & Kerrie Malt	2,800,000	1.1%
14	Mr Stuart Owen	2,625,000	1.0%
15	Private Clients of UBS AG Zurich	2,440,238	1.0%
16	Mr Craig Parry	2,407,549	1.0%
17	Mr Ian Leckie	2,350,000	0.9%
18	Civetta Capital	2,130,725	0.8%
19	Mr & Mrs Stuart Strong	2,000,000	0.8%
20	Mr Christopher Terence	1,754,776	0.7%
Total Top Twenty		150,857,636	59.92

Source: BSX

There are 15,875,000 performance rights to management on issue along with 10m \$0.10/sh options and 1m \$0.20/sh options.

Ta Khoa Mining is the original project vendor

Risks

Emerging companies are usually subject to normal key person and funding risks.

Geopolitical Risk

Vietnam is a developing country and subject to emerging country risks. Royalties in Vietnam have been historically onerous and there is no guarantee that in-country downstream processing will reduce these royalties sufficiently.

Reliance on Key Personnel

The board and the geology team's ability to identify, understand and test the mineralisation of the projects will be critical to the exploration success or failure of BSX.

Access to Capital

BSX require ongoing capital to fund future exploration programs and feasibility studies. With no revenue, debt will not be a viable option and capital will need to be raised from capital markets. There is no certainty that capital will become available to BSX at satisfactory commercial terms.

Development Risk

BSX is undergoing scoping studies with a view of progressing these to a PFS/DFS level. Should these studies return favourable results BSX will enter into project finance and construction stages which carry a level of financing and development risk.

Commodity pricing and demand

As with all resource projects, geopolitical risks, competitive forces and changes in commodity application with technological improvements could see demand and or prices for BSX focused commodities be reduced.

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RECOMMENDATION CRITERIA

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield. A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Buy	Hold	Sell
>20%	20%-5%	<5%

Risk Rating

PAC Partners has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

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- a member of the immediate family of the author of this report

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