ADVERTISING FEATURE

Exploring nickel and copper in Western Australia

St George's nickel charges battery boom

As the growth potential for nickel demand from the electric vehicles industry becomes clearer, a junior explorer in Western Australia is turning more confident about its own promising future.

ASX-listed St George Mining is sitting on three separate projects with potential to produce high-grade nickel -sulphide, close to the Agnew-Wiluna mineral belt that already hosts several world-class nickel and gold mines.

Its flagship Mt Alexander project – located about 100 kilometres west of the Goldfields town of Leonora – is currently the centre of investors' attention. In the past year, drilling at the project has resulted in discoveries of high-grade nickel-copper sulphide mineralisation, underlining Mt Alexander's strong potential.

"BHP made the initial discovery there in 2008, with mineralisation identified over possibly a 200-metre strike. We picked up the project in 2016 and with further drilling have established high-grade nickel-copper sulphides over an extended 4.5-kilometre strike," says executive chairman John Prineas.

All three of St George Mining's projects are in Western Australia and come with BHP pedigree.

BHP originally discovered nickel sulphides at St George's East Laverton project in 2012, under a farm-in agreement with the explorer. But when the mining giant reviewed its operations subsequently and cut back its exploration budget, it handed the project back to its junior partner.

That relationship came in handy again, a few years later, when BHP was divesting non-core assets. It allowed St George to acquire the Mt Alexander and Hawaii projects, at a time when nickel prices were languishing at the bottom of the cycle.

St George has been drilling at Mt Alexander since and has intersected thick nickel-copper sulphides commencing at shallow depths of 30 metres from the surface. Assays have confirmed high-grade mineralisation with readings that include more than 5 per cent nickel, 2 per cent copper and 0.2 per cent cobalt.

"Our focus now is to keep drilling and build up the size of the mineralisation and ore body, and then deliver a plan to commercialise it," Prineas says.

With shallow mineralisation and interest from nearby processing plants, the company will be looking at the potential for a capex-lite development with optionality for a fast pathway to production. The broad timeline is to have a resource estimate by the fourth quarter of 2018, then to start scoping studies early next year with the project feasibility study to quickly follow. That could also bring the project online at an opportune moment, just as nickel prices start to lift further in-line with demand from the electrical vehicles (EV) sector.

Global research group Wood Mackenzie recently estimated that the long-term price for nickel would settle around $US22,000/tonne by 2025, compared to the current level of $US14,500/tonne. Prices have already risen more than 50 per cent over the last year.

Currently, about two-thirds of global nickel production is absorbed by the steel industry, where its properties for corrosion resistance and high-temperature strength are highly valued in making stainless steel.

But demand is growing for use in electric vehicle batteries, which consume far greater amounts of commodities such as nickel, cobalt and manganese.

The EV market has already driven an unprecedented surge in demand for lithium and cobalt. Nickel is now seen as the next base metal that will be crucial in the development of the new industry.

St George's flagship Mt Alexander project in Western Australia is currently the centre of investors' attention; inset, John Prineas.

Analysts expect a deficit of one million tonnes in nickel supply by 2025 - mainly due to the EV battery demand - that will push up prices.

Last week, Goldman Sachs backed the view on nickel's outlook, predicting the metal will benefit from the increasing shift towards electric vehicles and raising prospects for price gains in coming years. Goldman said car makers and battery makers are already trying to lock-in supply and prices, in order to ensure future certainty.

That is being reflected on the ground, Prineas says, with battery manufacturers flocking to WA for long-term supply contracts, particularly for the higher-grade nickel sulphide that St George is aiming to produce.

Already, nickel buyers such as battery manufacturers and trading houses have approached the explorer, offering to fund the development of Mt Alexander in return for supply commitments.

"That's certainly an attractive option, so we are seriously considering that kind of deal," he says.

For now, the company is getting good support in equity markets, from investors keen on exposure to the nickel sulphide space.

In March, it raised $4 million from institutional and sophisticated investors in an oversubscribed placement, issuing shares at 18 cents each.

Prineas, with a background in law and financial services, says St George founders and directors are well-invested in the company themselves, and hence very keen to come up with funding solutions that give maximum returns for shareholders. Operationally, the focus is on seeing the Mt Alexander project commercialised, but the company is also looking out for other exploration and value-adding opportunities in the battery metals space.

"We certainly want to keep exploring at our other two projects as well because they have great prospectivity, but if we find another asset in this space that has strong potential to create shareholder value, we will be happy to also pick that up," Prineas says.