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RESEARCH

## Blenheim Natural Resources - Update

21<sup>st</sup> March 2018

**Diversified resources investor with interests in battery metals, lithium & cobalt & blockchain/AI business - Brandshield**

Blenheim was the old coffee roasting business Coburg Group, which has been repositioned as a natural resources investor. An acquisition spree in 2017 saw the company emerge with substantial interests in a series of compelling projects in the battery metals, cobalt and lithium fields. Intriguingly, the company also has a stake in BrandShield, which is revolutionising the way brand names are fighting online scams and fraud.

### ■ Increased investment in blockchain/AI business with an ICO

Blenheim has just topped up its stake in BrandShield via an additional \$200,000 investment. The timing looks impeccable as this business is launching MyShield, a de-centralised anti-scam platform which uses the business' proven AI skills. **The recent publication of a White Paper heralds the expected Initial Coin Offering (ICO).**

### ■ Drilling begins on licence next door to a world class lithium project

The company's Mali licences border ASX-listed Birmain's Bougouni Lithium Project, with its world class Goulamina lithium deposit, as well as AIM-listed Kodal Minerals. **Drilling is set to begin on previously identified lithium pegmatites, which could attract further attention to the stock.**

### ■ Battery metals portfolio expanded with the granting of cobalt licences

Three exploration licences in Cameroon were recently granted to BNR's 25%-owned CBH. **Cameroon is a highly prospective area for cobalt and is contiguous with the 59.8Mt @ 0.24% cobalt at the Nkamouna and Mada deposits.**

### ■ Peer comparisons and ICO performance suggests an upside in excess of 250%

In updating our coverage of Blenheim we have revisited and increased our target price to 1.47p and maintained our **Conviction Buy** stance.

*Table: Financial overview. Source: Company accounts & Align Research*

Year to end March	2016A	2017A	2018E	2019E
Revenue (£'000)	-	-	-	-
PTP (£'000)	(235)	(295)	(497)	(397)
EPS (p)	(0.23)	(0.13)	(0.0001)	(0.00003)

*This investment may not be suitable for your personal circumstances. If you are in any doubt as to its suitability you should seek professional advice. This note does not constitute advice and your capital is at risk. This is a marketing communication and cannot be considered independent research.*

**CONVICTION BUY**  
– increased target price of 1.47p

**BLENHEIM**  
Natural Resources Plc

#### Key data

PIC	BNR
Share price	0.41p
52 week high/low	0.93p/0.37p
Listing	AIM
Shares in issue	1,330.67m
Market Cap	£5.5m
Sector	Financial

#### 12 month share price chart



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## Update

Blenheim Natural Resources has an investment portfolio focused on technology metals and blockchain. **The Directors are changing the company's name to Two Shields Investments Ltd, which they believe more accurately reflects the current portfolio, which consists of the blockchain business BrandShield and technology metal exposure in the Western Africa Shield geological formation.** There has recently been a lot of news concerning board structuring, encouraging developments at BrandShield and a placing.

### Board Restructuring and Placing

There has been some chopping and changing in the boardroom. Firstly, Sandy Barblett has been appointed a Non-Executive Director (NED). Sandy looks like a good choice as he has proven experience in both natural resources in West Africa and in the technology sector where he has taken on leadership roles, including a spell with the former FTSE 250 company Pace. Secondly, Chris Ells is stepping down from the board and his position as Chairman is being assumed by NED Charlie Wood.

Blenheim has raised a total of £0.8 million at 0.4p. These funds are being used to increase Blenheim's holding in BrandShield and also to fund exploration work commitments in lithium and cobalt projects, along with providing working capital.

### BrandShield

In a nutshell, BrandShield has revolutionary technology that can help tackle online fraud. **This leading global cyber company is expanding rapidly and is apparently delivering strong monthly sales growth in its core business of providing online brand protection using AI for the likes of VISA, Credit Suisse, New Balance and Radisson Hotels.** But the news gets better as, in addition, BrandShield is at present expanding its anti-fraud product offering to companies which are pursuing ICOs. The company has attracted new clients including leading trading platforms and crypto specialists such as ShapeShift, eToro, WePower and Jet8.

The really hot news is that BrandShield is now launching MyShield, a de-centralised anti-scam platform, which uses the business' proven skills in AI, machine learning and big data technology to analyse online risk. **Phishing attacks on cryptocurrency and investors is common and a report on ICOs of new cryptocurrencies by EY Research in January 2018 reckons that as much as 10% of all early investors' funds were being stolen by hackers.** BrandShield's anti-phishing solutions find scams and take them down and so help companies maintain their ICO reputations.

MyShield has just published its White Paper and launched the private pre-sale of its ICO. There will be 1 billion tokens issued with 400 million being sold to third parties at a price of US\$0.20 each, although there will be some discounts on early sales. The remaining 600 million tokens will be retained by BrandShield. Of the latter, 200 million tokens will go to the founders, team and shareholders, 300 million tokens will provide a fund for future operations, with the remainder largely being used as a reporting bounty and guarantee fund. The tokens distributed to the founders, team and shareholders will be vested over a period of a year, with 5% of them (10 million) distributed on the day of the token generation event (TGE) which is timetabled to be at the end of Q2/beginning of Q3 2018.

Investors are likely to hear a lot more about BrandShield over the coming months as the company is a Platinum Sponsor, alongside IBM, of the forthcoming AI EXPO GLOBAL 2018 on 18-19<sup>th</sup> April 2018 at Olympia, London. When we initiated coverage on BNR in January 2018 we conveyed our thought that BrandShield did look to be in the midst of developing its own ICO. It might well be that the ICO gets centred around MyShield, which could compellingly be seen as the world's first anti-scam platform. We see the further US\$200,000 investment, which will help fuel growth and increased BNR's stake to 8.95%, as a shrewd move.

## Valuation

On initiation we valued BNR's stake in BrandShield with reference to peer comparisons. Looking at these peer comparisons, as BrandShield continues to roll out its blockchain solutions, we believe that the company could achieve a similar valuation to that currently awarded to BIG Blockchain Intelligence, Marathon Patent Group or eXeBlock Technology. The valuations in the sector for these companies are down a little since we initiated coverage and now the average Enterprise Value of these three companies is £15.62 million. So, on this basis, a valuation of Blenheim's 8.95% stake in BrandShield of £1.39 million is suggested. **This time we have risked this by just 30%, rather than the 50% previously, as BrandShield seems to be enjoying solid month-on-month growth and there is improving visibility of the true potential of this business. This results in a risked-valuation of £0.97 million.**

In addition, there is also potential value to be determined now that the White Paper has been published and can now properly investigate how BNR might benefit. Out of the 1 billion tokens, 400 million tokens are being sold off to raise what looks like around \$69 million (as there are some discounts on early sales and only 80 million of these tokens will be sold at the full price of US\$0.20). This works out at an average price of US\$0.173 per token, which is the figure we have used in our analysis.

The company will retain an 8.95% interest in BrandShield following the ICO as the issue of tokens is non-dilutive to equity holders. Assuming that the tokens are well received, BNR's interests could be worth 8.95% of the sum of US\$86.3 million (500 million tokens at US\$0.173 per token) and US\$69 million which equates to US\$13.8 million. That is without any upside in the price of the tokens.

Interestingly enough, a report from venture capital house Mangrove Capital (October 2017) demonstrated an average return across 204 ICOs of 1,320%. So, if the tokens are well received, there is a chance that this figure of US\$13.8 million could be substantially higher. Wishing to remain conservative, we have risked the figure of US\$13.8 million by 50%, which would give a value of US\$6.90 million or £4.92 million. **Added to the £0.97 million figure derived above equals a total of £5.89 million to represent the value of the BrandShield investment. Simple yes but the most appropriate method we see.**

### Sum-of-the-parts valuation

£ million	Valuation	
	At present following 3 cobalt licences being granted	If 5 cobalt licences granted
West African Lithium	11.25	11.25
Botswana Nickel & Platinum	0.67	0.67
Cameroon Cobalt	4.95	8.25
Cameroon Cobalt option value – less cost	3.76	6.80
IGS	0.90	0.90
BrandShield investment	5.89	5.89
Share portfolio	0.40	0.40
<b>Sub-total</b>	<b>£27.82m</b>	<b>£34.16m</b>
<b>Shares in issue</b>	<b>1,330,674,497</b>	<b>1,330,674,497</b>
<b>Per share</b>	<b>2.09p</b>	<b>2.57p</b>
<b>Number of shares on a fully diluted basis</b>	<b>1,908,174,497</b>	<b>2,158,174,497</b>
Cash from warrants & options being exercised	£0.30m	£1.65m
<b>Total</b>	<b>£28.12m</b>	<b>£35.81m</b>
<b>Per share on fully diluted basis</b>	<b>1.47p</b>	<b>1.66p</b>

Source: Align Research

Our total valuation for BNR comes to £28.12 million which, on a fully diluted basis (1,908.17 million shares), results in a fully diluted value of 1.47p per share. If the company was to acquire a total of 5 cobalt licences in Cameroon, our total valuation would rise to £35.81 million, which on a then fully diluted basis (2,158.17 million shares) would equate to 1.66p per share. **Accordingly, we increase our target price to 1.47p, compared with 1.19p previously, and retain our Conviction Buy stance.**

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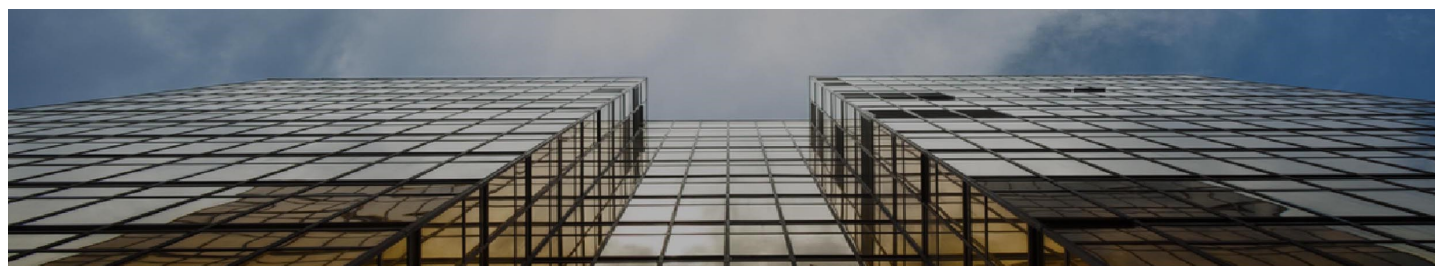
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