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Poseidon Nickel (POS)

Australia's new nickel

Recommendation
Spec Buy (Initiation)
Price
\$0.19
Target (12 months)
\$0.31 (Initiation)

Expected Return

Capital growth	68%
Dividend yield	0%
Total expected return	68%

Company Data & Ratios

Enterprise value	\$43m
Market cap	\$38m
Issued capital	204m
Free float	
Avg. daily vol. (52wk)	462,025
12 month price range	\$0.14-\$0.40
GICS sector	Materials

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.22	0.18	0.21
Absolute (%)	-15.91	2.78	-9.76
Rel market (%)	-14.96	-1.33	0.51

Absolute Price



SOURCE: IRESS

Nickel production expected from 2013

Poseidon's redevelopment of the famous Mt Windarra Nickel Mine, and the nearby Cerberus Deposit, has reached a vital stage. Funding negotiations are in progress that could allow POS to start producing up to 10ktpa nickel in concentrate from 1Q13.

Key points

- Mount Windarra and Cerberus to be developed in tandem and feed 700,000tpa concentrator.
- 10,000tpa nickel output, estimated EBITDA \$25m in FY13 and \$64m in FY14.
- Initial resources at Mt Windarra and Cerberus sufficient for 8 years' production, with significant potential for resource expansion. Low discovery cost of 10c/lb Ni.
- Cash opex expected to be US\$3.20/lb Ni; low costs from sub-level stoping.
- Refurbishment of the Mt Windarra underground has started, complete in 2012.
- Twelve months to production from financing, including concentrator construction.
- China Non Ferrous (NFC) to build concentrator and organise asset lease finance, cost \$60m; overall fund raising in 1H12 could be \$130m.
- Final feasibility studies for Windarra and Cerberus expected this year.

Investment View: Spec Buy, 12-month target \$0.31/share

We initiate on POS with a Spec Buy and a 12-month target of \$0.31/sh. The current price of \$0.19/sh marks a low entry point to a pure WA nickel play that's about to undergo a significant transformation, with nickel sulphide production expected from two mines as soon as 1Q13. The company has an excellent technical and corporate team, who we expect to push a re-rating of POS through 2012 and 2013. Critical value drivers in late 2011 and 2012 should be completed feasibility studies for Mt Windarra and Cerberus, and financing for the project in 1H12.

Earnings Forecast

Year end	2011a	2012e	2013e	2014e
Sales (A\$m)	0	1.5	67.4	166.6
EBITDA (A\$m)	0.42	-14.9	24.8	65.0
NPAT (adjusted) (A\$m)	0	-17.6	12.6	29.7
EPS (adjusted) (¢ps)	0	-5	8	7
EPS growth (%)	n/a	n/a	n/a	-11
PER (x)	n/a	n/a	2	3
EV/EBITDA (x)	n/a	n/a	2	1
Dividend (¢ps)	0	0	0	0
Yield (%)	0	0	0	0
Franking (%)	0	0	0	0
ROE (%)	0	-11	7	17
Nickel Production (t)	0	3144	8973	9169

SOURCE: BELL POTTER SECURITIES ESTIMATES

Company description

POS is a nickel sulphide developer in the Laverton region of Western Australia. It is focused on the historic Mt Windarra nickel mine, and the nearby Cerberus discovery – together called the Windarra Nickel Project (WNP). Total mineral resources are 9.187Mt at an average grade of 1.51% nickel, containing approximately 138.366kt of Ni. POS is redeveloping the underground Mt Windarra operation and plans to establish a new mine at Cerberus, with the aim of producing 10ktpa of Ni in concentrate from FY2013.

Recommendation and Valuation: Spec Buy, target \$0.31/share

The risked 12-month DCF valuation of the Windarra Nickel Project, based on production by sub-level caving at Mt Windarra and Cerberus is \$168m. Key assumptions: 700ktpa throughput, 10kt Ni output (in concentrate), LOM average cash cost of US\$3.20/lb, remaining capex of \$130m, met recoveries 83-85%, payability of 70% and a long-term Ni price of US\$8.17/lb (real). In addition, we've allowed \$34m for a gold tailings operation producing ~50koz over three years from 2013, as well as \$25m for the project's significant exploration potential, -\$18m for corporate and -\$89m net debt after funding: total \$120m.

We have risked the WNP at -20% because, even though it's at an advanced stage, project funding is yet to be acquired; and final costs, mining reserves and the mining method at Cerberus are uncertain until final feasibility studies are published in late 2011.

Our \$0.31/share price target is based on a 12-month DCF and SOTP (sum of the parts) valuation and considers changes to the capital structure, including ~\$130m in project funding in 2012. There is an overhang of +40c options striking in 2H12, including 115m held by the Chairman, Andrew Forrest. There's a chance these will expire unexercised.

Risks

Risks include, but are not limited to:

- Commodity price and exchange rate fluctuations. Similar to other commodity producers or prospective producers, POS is subject to fluctuations in prices and exchange rates.
- Mining costs and method. Opex, particularly for the Cerberus Project, depends on mining method and is yet to be finalised – feasibility studies are thought to be imminent.
- Project funding and meeting any debt commitments. After funding, debt could be +\$110m but is likely to be on favourable terms.
- Resource growth. We have valued the WNP assuming that resource increases extend LOM from the current 8 to +12. Resource growth requires ongoing investment.
- Grade. The WNP deposits are of lower nickel grade than some others in WA. This can be balanced by lower operating costs.
- Timing. POS is on a tight schedule and construction is subject to funding. If surface infrastructure is incomplete in early 2013, stockpiling of ore could still commence.

Potential share price catalysts

Final Feasibility Studies and Mining Reserves for Mt Windarra and Cerberus, including a preferred mining method for the latter, expected this month.

Project funding of ~\$130m in 1H12, emphasising debt but with an equity component.

Exploration results from drilling along-channel at South Windarra, and at regional targets.

WA nickel assets

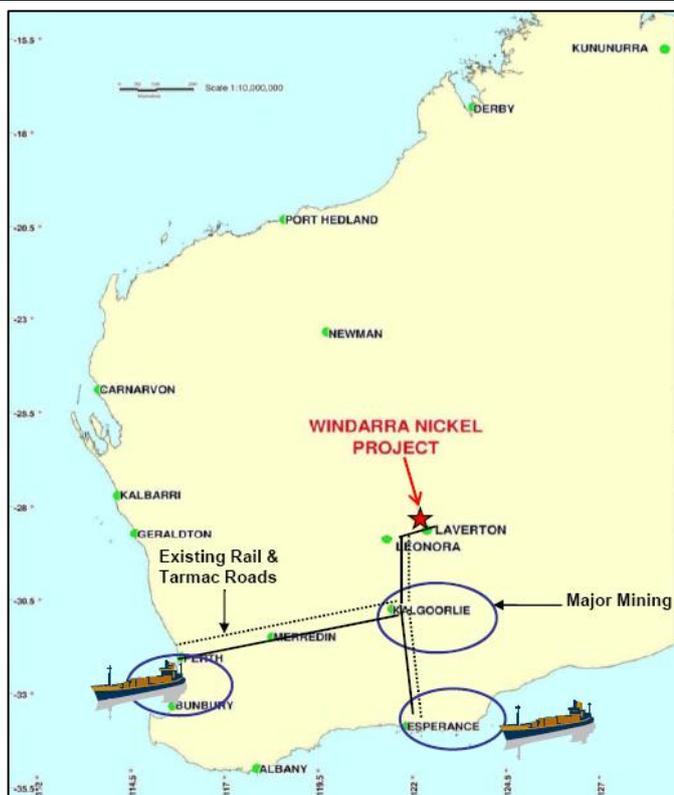
Overview

Poseidon Nickel is developing the historic Windarra Nickel Project (WNP, located 260km NNE of Kalgoorlie in the NE Goldfields of Western Australia.

POS acquired the project in 2005. The assets include three known nickel sulphide deposits, two historic nickel sulphide mines, and 63km of prospective strike within the Windarra Ultramafic Belt and the parallel and largely unexplored Red Flag Ultramafic belt. Mineralisation is of similar style to other WA nickel fields, such as Kambalda. POS's tenements occupy 443km².

Currently, POS is focused on refurbishing and reopening the Mt Windarra underground mine and developing a new underground mine at Cerberus, which was found in 2008. The two deposits are 10km apart and can be served by a single 700,000tpa nickel concentrate plant, to be built at Mt Windarra (the WNP). Nickel production is expected to average 10,000tpa for +10yrs, with the two mines starting more or less simultaneously and making an equal contribution to output, at least for the first six years (LOM Mt Windarra). Subject to project finance, first concentrate production is expected in 2013.

Figure 1a,b - Windarra Nickel Project: location map; and photo of Mt Windarra mine site



The Windarra Nickel Project is close to Laverton, WA, and north of the major mining centre of Kalgoorlie. The historic Mt Windarra Mine operated from the 1970s to the 1990s. Much infrastructure remained on site, including the mine offices and vertical shaft headframe. POS is refurbishing the mine and plans to restart Ni production in 1Q13.

SOURCE: POSEIDON NICKEL; BELL POTTER SECURITIES

Resource status

Poseidon has built the JORC-qualifying resource base at the Windarra Project from nil in 2007, to a current 9,187,449t at 1.51% Ni for 138,366t contained metal, of which 53,470t is at Indicated status. The most recent resource update was a 25% increase in contained nickel on 1 December 2011. The two largest deposits are now Mt Windarra (62,200t Ni), where an underground mine operated between 1971 and 1989, and Cerberus (68,600t Ni), which was discovered by Poseidon 10km S of Mt Windarra in 2008. The smaller South Windarra (7,500t Ni), 18km SSW of Mt Windarra, has an historic open pit mine that closed in 1992. It's worth noting that, historically, the two mines between them produced ~8Mt of ore grading 1.58% Ni, for ~125kt of Ni in a 10% concentrate.

Figure 2 - POS current resource status

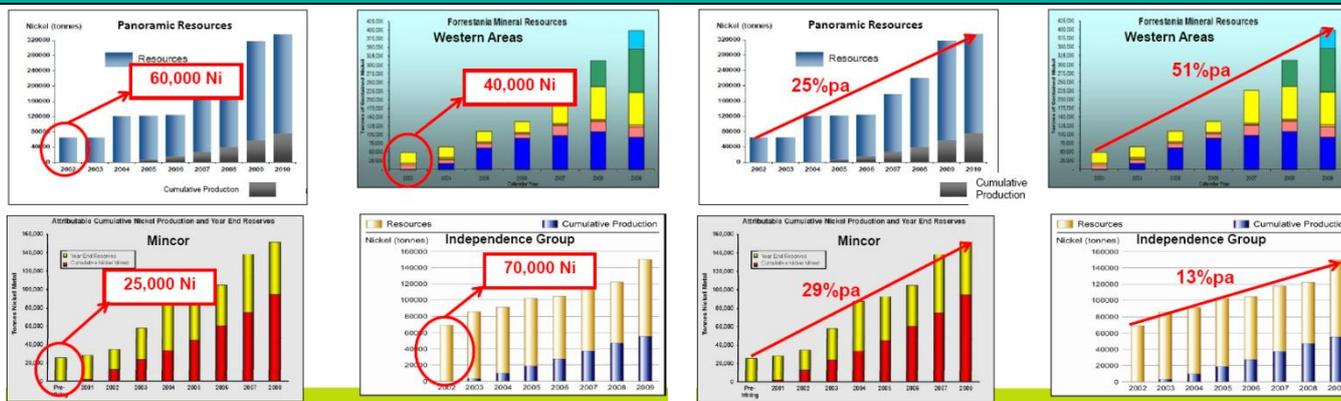
Poseidon's 138kt Ni is higher than the pre-production resources of its WA peers.

Windarra Nickel Project Sulphides	Cut Off Grade	Resource Category								
		Indicated			Inferred			TOTAL		
		Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Mt Windarra	0.75%	910,000	1.24	11,300	2,955,000	1.72	50,900	3,865,000	1.61	62,200
South Windarra	0.80%	772,000	0.98	7,500	-	-	-	772,000	0.98	7,500
Cerberus	0.75%	2,773,000	1.25	34,600	1,778,000	1.91	34,000	4,551,000	1.51	68,600
Total Sulphide		4,454,706	1.20	53,470	4,732,743	1.79	84,896	9,187,449	1.51	138,366

SOURCE: POSEIDON NICKEL

Figure 3 shows that a pre start-up nickel resource of 138kt compares very favourably with the starting resources of successful peers including Independence Group (70kt), Mincor (25kt), Western Areas (40kt) and Panoramic Resources (60kt). WA nickel laterite miners have a consistent history of extending their resource bases and lives of mine, once in production. Some examples of annual CAGR in nickel resources from start-up: Independence Group (13%); Mincor (29%); Western Areas (51%); and Panoramic Resources (25%).

Figure 3a,b - POS peer comparison, pre-production resource base and CAGR over time



Approximate pre-mining resources using publicly available information. % stated is the compound growth rate of the resource from start up and provides a useful indicator to what may happen at Windarra

SOURCE: POSEIDON NICKEL

History of Poseidon and the Windarra Nickel Project

Economic nickel was first discovered at Mt Windarra in 1969 by Poseidon NL. At that time, Ni prices were high, at around £7,000/ton due to a shortage during the Vietnam War, and the find quickly led to a spectacular run on the company's shares – from \$1.85 in September 1969 to \$280 in February 1970. Underground mining at Mt Windarra and open cut mining at South Windarra started in 1971. Nickel prices fell and Poseidon NL delisted in 1976, but the mines continued under the management of Western Mining Corporation (subsequently WMC Mining Ltd). The mines closed in 1989-1991, again due to low Ni prices, and the area was rehabilitated by WMC from 1994. Because of the site's interesting history, it was developed as a heritage trail for the general public. This resulted in the preservation of some surface infrastructure included the mine head frame and winder shaft, WMC mine office, road network, examples of mining equipment including several 5 tonnes ore skips, and some concrete plant footings.

When BHP gained control of WMC in 2005, some non-core assets were divested, including Windarra, which was sold to Niagara Mining Ltd. Niagara decided to reopen Mt Windarra and began dewatering the underground mine. In 2007, following company restructuring, the appointment of a new management team, and with respect to Windarra's history, Niagara was renamed Poseidon Nickel Limited (ASX.POS).

To support the refurbishment of Windarra, in June 2008 POS acquired US\$15m project funding from Harbinger Capital Partners. The Global Financial Crisis, however, caused POS to place the project on care and maintenance - operations halted in October 2008. After two years on C&M, nickel prices started to increase and POS signed a US\$20m Convertible Note with Harbinger to assist with the project. Work on the underground recommenced in 2011.

Mt Windarra

THE MINE

The deposit is made up of seven (known) stacked nickel sulphide lodes (termed "shoots" historically). The lodes have a near-vertical orientation, which should facilitate low cost mining by sub-level stoping. This mining method is cheaper than the cut-and-fill methods used on shallower-dipping bodies, because it is less labour- and machinery intensive, larger volumes of ore can be taken in a cycle, and gravity assists with movement of the broken rock. Ore will be crushed underground, and hoisted to the surface in 5-tonne skips using the existing 3-metre haulage shaft and headframe – cheaper than truck hauling, though this method is also available if needed.

At the time of closure, the Mt Windarra mine had reached a depth of 550m. The original mine had a reputation for being geotechnically challenging at depth: steep orebodies are often associated with steep and intersecting structures that can cause difficulties if not properly managed. POS is confident that this aspect of the mine can be successfully engineered. We note that the technology available for rock-mass monitoring, stabilisation and predictive modelling has moved ahead considerably in the past 20 years.

The current resource extends to 900m depth. There is nickel sulphide mineralisation outside the resource envelope, which means potential to expand with further drilling.

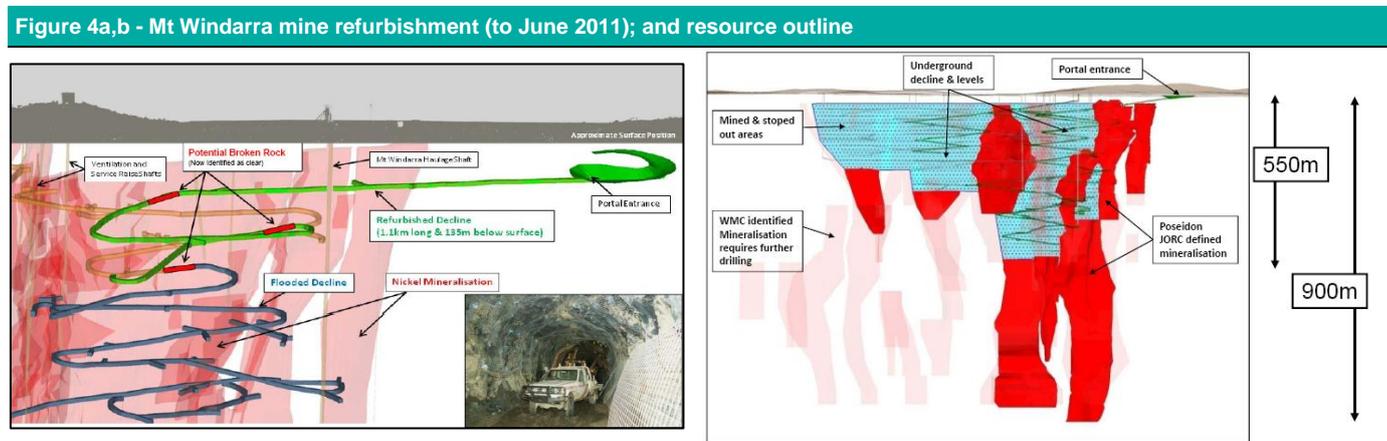
THE CONCENTRATOR

A flotation concentrator will process Mt Windarra and Cerberus material to produce 10,000 tonnes of nickel per year. Initially, a 350ktpa plant was planned, but 700ktpa was recommended because of the successful resource drilling at Cerberus, and after an independent mine planning group indicated potential to increase production rates at Mt

Windarra. Now that both mines are expected to start at the same time, the larger plant will be built up-front. The technology of nickel sulphide plants is well understood and, in terms of risk, Mt Windarra has the advantage of being economically processed in the past. The main ore mineral is expected to be pentlandite, with pyrrhotite and pyrite as the other sulphides. Recent metallurgical tests run on samples from Cerberus showed flotation recoveries of +80% Ni in less than 5 minutes, with a concentrate grade of 18%. POS guidance is for 83% recoveries at Mt Windarra and 85% for Cerberus.

REBUILD: PROGRESS AND TIMING

There is \$50m built infrastructure in place at the WNP, including new and some refurbished assets: a vertical shaft headframe and winder, tailings ponds, offices and accommodation, airstrip, diesel power plant (two Cummins generators providing 820kVA, adequate for development work), core yard and the Mt Windarra mine itself (portal, decline, shaft, workings). Figure 4a shows the Mt Windarra underground - this diagram is from July 2011 and dewatering has since progressed so that only ~23% of the mine remains waterlogged. As the mine is dewatered, POS is refurbishing the workings – this includes rock mass stabilisation (bolting, meshing, monitoring), ventilation, and installation of underground infrastructure such as safety chambers, 11kV electrical power and a communication network. Refurbishment will complete in 2012. When BPS visited the project in 3Q11, we were only able to view the 1.2km decline and uppermost levels of the mine, but were impressed with the progress of work on stabilisation, dewatering and ventilation.



SOURCE: POSEIDON NICKEL

In July 2011, POS published a schedule indicating that time to commissioning Mt Windarra could be 18-24 months, with 12-18 months for the concentrator. There have been delays in refurbishing Mt Windarra due to extra ground stabilisation work, but building the mill is the time-critical step, so the project seems to be more or less on schedule.

Most of the remaining work will be on finishing the underground ready for production, and above all building the 700ktpa flotation concentrator and associated P&E. The Cerberus Deposit must also be made ready for production.

Arcon WA (Arcon) and China Nonferrous Metal Industry's Foreign Engineering and Construction Co Ltd (NFC) agreed, under a non-binding MoU signed in April 2011, to provide a fixed price turnkey concentrator, with finance for up to 80% by a third-party bank. Under the MoU, Arcon WA will do most of the engineering/construction, potentially including steel prefabrication in WA. NFC has similar arrangements with other ASX-listed companies including Marengo Mining (MGO and Galaxy Metals (GXY) – the latter is

already in successful lithium production at Mt Cattlin (WA). However, the fixed price Engineering, Procurement and Construction Contract (EPC) is yet to be awarded.

POWER AND WATER

Electricity for the project will be provided by a diesel power plant. Diesel is a relatively expensive way of generating power but is commonly used at mineral projects where grid power isn't available. In October 2011, PES signed an MoU with Enerji (ASX:ERJ), for ERJ to assist with the addition of a waste heat recovery system to the planned Windarra powerhouse. The system could save on operating costs by providing up to 700kW of fuel and emission free power to the project. Ample process water should be available from the waterlogged and aquifer-replenished historic open pit at South Windarra.

THE FINAL FEASIBILITY STUDY (FS) AND PERMITTING

The final FS of the Windarra Nickel Project (WNP) is thought to be near completion and its release is expected shortly. Even though work on the WNP is already far advanced, this study is needed for the final stage of project finance and awarding of the EPC contract. It is expected to include definitive operating and capital costs for Mt Windarra and Cerberus mines and the nickel plant, as well as Mining Reserves. A summary of the main studies and providers for the WNP is in Table 1.

Table 1 - Main feasibility studies in progress at the Windarra Project

Study	Vendor
Engineering	Arcon
Mine Planning	Rock Team
Geotechnical	Beck Engineering
Tailings Disposal	Coffey Mining
Gold Tailings Retreatment	Nagrom
Environmental	MBS
Testwork	SGS
Ore Sorting	Commodas Ultrasort

SOURCE: POSEIDON NICKEL

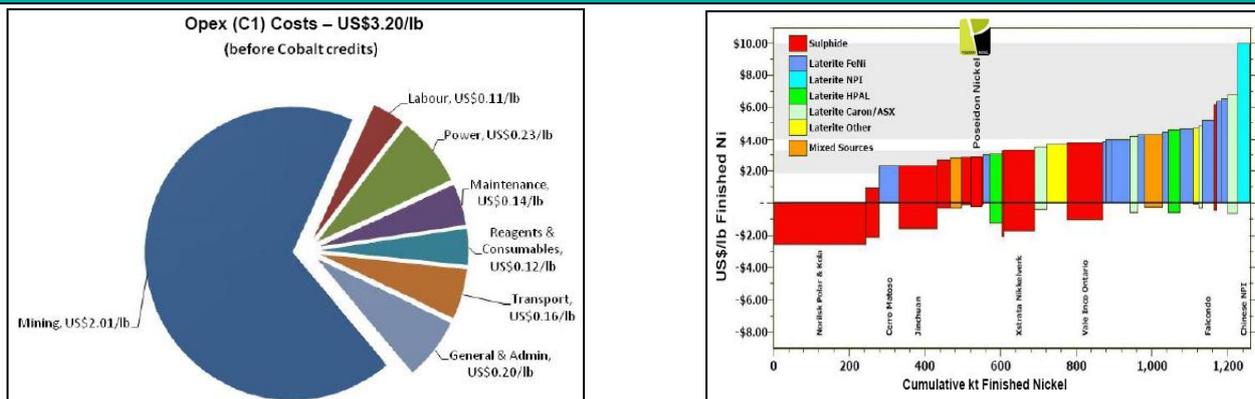
The final feasibility studies for Mt Windarra and Cerberus should be published in 2011.

A Mining Proposal for operating at Mt Windarra was submitted in Nov '11 and a similar submission for Cerberus is expected shortly. A response by the Government is expected within two months of submission. At Mt Windarra, POS is proposing to redevelop ~29ha of land that is mostly located on previously cleared or disturbed and rehabilitated land. New land clearance is restricted to 1.9ha required for a water supply line, so POS won't need a clearing permit under the environmental protection regulations. This waiver includes the Cerberus Project (announcement Dec '11).

OPERATING COSTS

POS expects Mt Windarra cash operating cost to be US\$3.20/lb of Ni at a run rate of 10ktpa Ni. This is relatively low compared to its WA peers, which have costs of US\$2.12/lb to US\$5.10/lb depending on the mining method. A cobalt credit of ~\$1m per annum is expected at current prices. A cost breakout and peer comparison are shown in Figure 5a,b. These costs may change when the final FS is released in late 2011.

Figure 5a,b - Windarra Project, opex breakout and peer comparison. Life of mine average, based on sub-level caving at Mt Windarra



SOURCE: POSEIDON NICKEL

CAPITAL COSTS AND PROJECT FUNDING

According to POS, the value of existing infrastructure and subsequent refurbishment at the WNP is \$50m. The company has twice issued convertible notes to Harbinger Capital in New York: US\$15m in FY08 and US\$20m in FY11. Most of this has already been spent on the Windarra Project. Cash at end September 2011 was A\$9.23m plus \$0.75m in receivables – it may be \$4m or \$5m now.

Initially, a 350ktpa plant was planned at a cost of \$35m, to be built to turnkey stage and 80% funded via NFC, with an expansion to 700ktpa. In July 2011, POS announced that the remaining capex required to restart Mt Windarra was US\$55m, including the plant, with the remainder in working capital, refurbishment and resource drilling.

Now that the Mt Windarra and Cerberus mines are expected to commence at the same time, the larger 700kt plant will be built up-front. This is expected to cost ~\$60m, less than twice the dollars for double the throughput because economies of scale apply to the design and construction. Adding \$25m to increase the concentrator nameplate, plus another ~\$20m (BPS estimate) to start development at Cerberus, plus 30% contingency and working capital means POS needs about \$120m for the WNP, with another \$10m for a gold tailings operation on site (see subsequent section) – i.e. \$130m, or in that ballpark. It is likely NFC will help to fund 80% or more of the expanded \$60m concentrator, i.e. +\$48m, as it agreed to do at \$35m under the MoU. That leaves US\$62m in funding to find. We expect an equity component – say ~30% or perhaps \$40m of the total \$130m, with the remaining ~\$42m coming from “other” debt. That’s a total \$90m of new debt, plus the \$25m existing liability from the Harbinger convertible notes.

Poseidon has entered into discussions with a number of financiers to put in place the funding required, with detailed term sheets being negotiated.

Table 2 - Capital cost and funding estimates for WNP

Capital costs (US\$m)		Funding (US\$m)	
Concentrator	\$60m	\$48m	Concentrator debt finance (80%)
Completion of Mt Windarra, drilling	\$10m	\$42m	Other debt finance
Start-up costs for Cerberus, drilling	\$20m	\$40m	Equity funding (~30% of total)
Contingency and working capital at 30%	\$20m		
Gold tailings operation	\$10m		
Total	\$130m	\$130m	Total

SOURCE: POSEIDON NICKEL AND BELL POTTER SECURITIES ESTIMATES

The funding shown here is in addition to the US\$35m already raised as convertible notes (liability now \$25m).

OFFTAKE

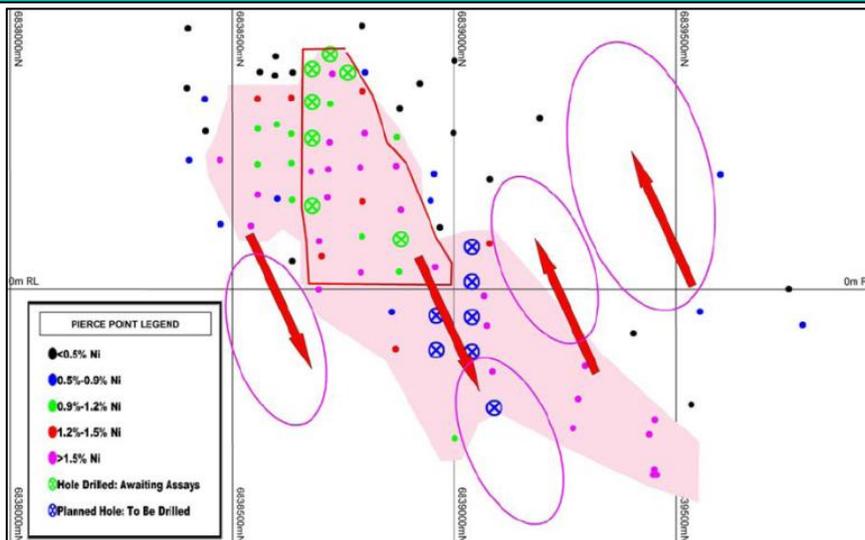
Draft offtake terms for the nickel have been received and are currently being assessed by Poseidon. Company guidance is that Ni payability for the concentrate is likely to be 69% or 70% of the LME Ni price. There is an agreement with BHP, which vended the WNP project to POS, that BHP either be sold the project’s concentrate or receive a 1% royalty. POS will choose the most economically favourable offtake option(s) for the project.

Cerberus Deposit

POS plans to start nickel production from the Mt Windarra and Cerberus operations more or less simultaneously, in 2013. Since its discovery in 2008, Cerberus has undergone a resource drill-out and is now known to contain 68,633t of Ni grading 1.51% above a 0.75% cut-off (Optiro Pty Ltd). Ahead of the resource upgrade, Poseidon drilled ~9,500m at Cerberus in 2011. The best intersections returned from the upper high grade zone are 4.07m at 3.00% Ni, 2.83m @ 3.24% Ni and 1.37m @ 3.55% Ni. Nickel sulphide mineralisation is continuous from 64m to 700m depth and takes the form of a shallow-dipping plane that extends ~1.4kms down dip and ~400m across strike. The mineralisation is made up of at least three parallel zones or stacked lodes – the Upper, Lower and new Top zones – with some areas of thickening where the lodes intersect. Poseidon’s geologists believe that additional lodes have been identified to the north and south at Cerberus in areas largely untested by drilling. Resource extension is therefore likely, which will be the subject of future drilling. A JORC Reserve is expected in December 2011. A full feasibility study of Cerberus (FS) including mine plan with JORC reserves is expected in the near term. A Mining Proposal should be submitted to the WA Government in 2011.

Figure 6 - Cerberus Deposit in plan view (drilling as at October 2011).

Outline of Upper high grade zone in red, which may be the focus of initial production; arrows represent potential new mineralised channels.



SOURCE: POSEIDON NICKEL

Mining cost: POS is yet to specify the mining method for Cerberus. It’s possible, given the results of the resource infill drilling, that parts of the deposit are steeply dipping enough to be taken using relatively inexpensive sub-level caving, as is planned for Mt Windarra. If this isn’t possible, then more costly cut-and-fill methods will have to be used. A final decision is expected to accompany the final Cerberus feasibility study.

South Windarra Mine

This open pit mine was operated in tandem with the Mt Windarra underground and ore was treated by the same nickel plant. The operation was abandoned in 1992. Due to the small resource, of 7,500t Ni, POS has no immediate plans to reopen the mine, though the ultramafics along strike to the east are prospective and should be the target of drilling in 2012 (see Figure 8). The pit now forms an artificial lake that is replenished by aquifers, so it is a good potential source of process water for the new WNP.

Gold tailings

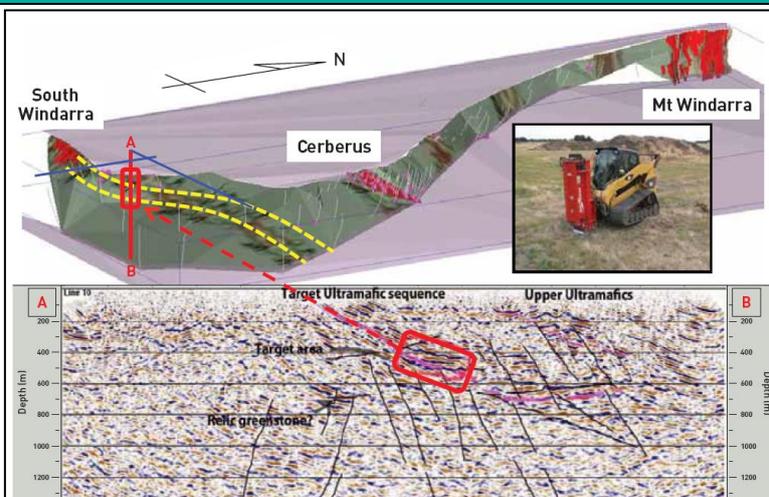
As an historic mining hub, Mt Windarra was formerly the location of a gold processing operation and there are gold tailings on site. Testwork is in progress to see if they can be commercially treated. POS guidance is that it expects several Mt of tailings grading at about 0.8g/t Au, of which ~50% might be recoverable over a three year operation. If viable, the gold tailings could provide cashflow for POS during the WNP ramp-up when cash costs would otherwise be above the target US\$3.20/lb Ni. The process route is unknown but capex could be in the order of \$10m.

Geology

The Windarra deposits are hosted by ultramafic lava flows of Archean age (~2.7Ma). The common geological model for nickel sulphide fields is one of multiple, channelled flows extruded from one or more volcanic vents. These flows can range in thickness from a few tens of centimetres up to many metres, and can be kilometres long. They are often stacked, such that the top of one series of flows can form the base of another. Like modern lava channels, they initially formed a chilled upper margin within which the core of molten material continued to flow. It's within these cores that nickel sulphides are found, both as disseminated mineralisation and as massive cumulates on the base of the channel where the heavy sulphides settled as the lava cooled. Geometric analogies include a cabbage-leaf shape, or a downhill gravel road with potholes (traps for the sulphides). The dominant sulphide mineral association is pentlandite (Ni sulphide) with pyrrhotite and pyrite.

Figure 7 - Windarra Project geological model.

3D image of the Windarra Ultramafic unit showing the three nickel deposits and anomalous drill intersections (pink dots). A track mounted bobcat was used during the seismic survey to the east of South Windarra. The seismic image along Traverse A-B shows the position of an interpreted lava channel target (yellow dotted lines), which coincides with anomalous drill intersections along or near its edge. This will be the focus of the upcoming exploration drilling program.



SOURCE: POSEIDON NICKEL

The key to discovering and expanding nickel sulphide resources is to understand the orientation of the lava field and its channels. This can be complicated by post-magmatic

deformation of the field in the subsequent ~2.7 billion years. The POS team believe they have taken this critical step in understanding. In the case of Windarra, they argue, a granitic intrusion caused the nickel-bearing channels to be domed and reoriented, so that some are now steeply plunging (Mt Windarra), while others have an intermediate dip (Cerberus) or remain more or less horizontal (South Windarra). In the millennia after deformation, the dome was eroded flat, leaving the 24km surface trace of the Windarra lava field as a J-shaped trend along its south-eastern margin. POS has successfully tested its geological model with the discovery of Cerberus.

Exploration

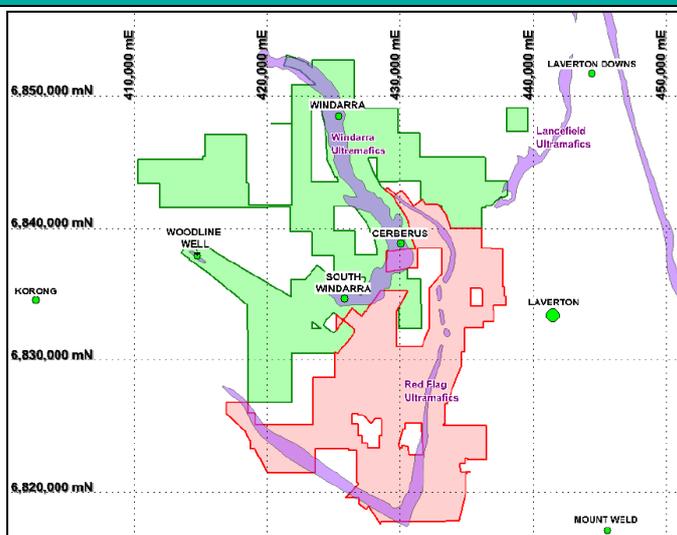
Poseidon’s exploration budget is likely to be moderate in CY2012, e.g. ~\$1m/qr, while it focuses on nickel production. After that, we expect resource expansion and exploration drilling. To date, discovery costs have been competitive, at US10c/lb of resource.

Aside from the potential for near mine extensions of the known orebodies and mineralised channels, there is local exploration upside on POS’s 443km² Windarra Project tenements, which cover 64km strike of the Windarra and Red Flag ultramafic belts. Of this area, 203km² and 39km strike was gained via a recent (Sep ’11) earn-in agreement with Magma Metals Ltd. The agreement is for nickel, copper and PGE rights on the tenements. The new areas encompass the Red Flag ground, as well as some very prospective areas of the Windarra belt including tenements adjoining Cerberus and others that could host near-surface extensions of the South Windarra channel. A LANDTEM geophysical survey, previously completed over the Red Flag Ultramafic unit has generated numerous electromagnetic conductors, potentially reflecting nickel sulphide mineralisation. These targets may be the subject of an exploration program in 2012.

Earn-in Conditions: Poseidon can earn a 60% interest in the nickel, copper and PGE rights to the Magma tenements during a 3 year earn in period by spending \$3m. It can earn up to 100%, subject to feasibility studies, a decision to mine on the tenements, and whether or not Magma elects pro-rata participation in funding. Poseidon has first right to toll treatment or offtake of any ore produced.

Figure 8 - Exploration potential - previous POS holdings (green), and new earn-in tenements (red)

Poseidon now holds 443km² at the Windarra Nickel Project, including 203km² under an earn-in agreement with Magma Metals. Aside from the known deposits, POS has up to seven other lava channel targets on the J-shaped Windarra Ultramafic Belt. The Red Flag Ultramafics are yet to be explored by POS.



SOURCE: POSEIDON NICKEL

Figure 9 – Images of the Windarra Nickel Project, sourced from the company and a Bell Potter site visit in mid 2011



Meshing and rock bolting at Mt Windarra mine. Western Mining did a good job the first time around, but refurbishment is needed.



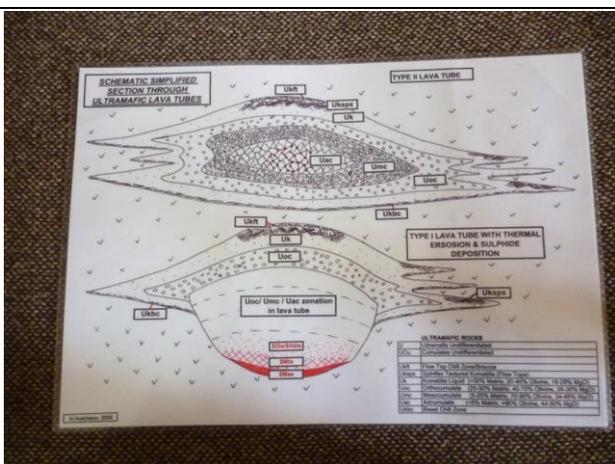
An underground bogger at Mt Windarra. Boggers are used for moving rock, or in this instance waste from the rebuild.



Mobile equipment at Mt Windarra with the historic head frame at rear. The vertical shaft should help limit mining costs.



The stylish 1970s-era Western Mining office is still standing and is now the Poseidon site HQ.



This schematic of a typical lava channel is used by the geologists to guide exploration and resource definition.



Core from the WNP. This sample tested about 1.01% nickel. The brownish areas are sulphides including pentlandite (~NiS).

SOURCE: BELL POTTER SECURITIES AND POSEIDON NICKEL

Valuation

Summary

Base case valuation at LT nickel \$8.17/lb is \$120m in 4Q12 after a \$40m capital raising at \$0.25/share, additional \$90m in debt funding, and the majority of project construction completed. **Valuation \$0.33 per undiluted share, or \$0.31 diluted – our 12-month target for POS.** The table below shows sensitivity to LT Ni price (round numbers used), with NPV/share for the WNP project (Mt Windarra + Cerberus + gold tailings) as well as NAV (the NPV plus everything else including the exploration upside and forecast net debt).

Table 3 - Windarra Nickel Project: NPV valuation and key assumptions

WINDARRA NICKEL PROJECT: 12-MONTH NPV₁₀ SENSITIVITY TO NI PRICE

		<u>Price Sensitivity</u>				
		6	8	10	12	14
Long term nickel price	US\$/lb (real \$ 2011)					
Exchange rate	AU/US	0.85	0.85	0.85	0.85	0.85
<i>Assuming sub-level cave at Mt Windarra and Cerberus, mining cost \$58/t. Also includes gold tailings operation (total 50koz) for three years from year 1</i>						
NPV @ 10% NOMINAL, in 4Q12	A\$m	68	191	298	397	489
NPV/share (fully diluted in 4Q12)	A\$/share	0.18	0.49	0.77	1.03	1.26
Other (exploration, corporate overhead, net debt)	A\$m	-87	-87	-87	-87	-87
NAV (=NPV + "other")	A\$m	-19	104	211	310	402
TOTAL NAV/share (387m fully diluted 4Q12)	A\$/share	-0.05	0.27	0.55	0.80	1.04
<i>Assuming sub-level cave at Mt Windarra, mining cost \$58/t; and cut-and-fill at Cerberus, mining cost double at US\$116/t. Also includes gold tailings operation.</i>						
NPV @ 10% NOMINAL, in 4Q12	A\$m	-98	26	94	260	358
NPV/share (fully diluted in 4Q12)	A\$/share	-0.25	0.07	0.24	0.67	0.92
Other (exploration, corporate overhead, net debt)	A\$m	-87	-87	-87	-87	-87
NAV (=NPV + "other")	A\$m	-185	-61	7	173	271
TOTAL NAV/share (387m fully diluted 4Q12)	A\$/share	-0.48	-0.16	0.02	0.45	0.70
Discount for risk, pre-funding:		20%			POS Equity:	100%

WINDARRA NICKEL PROJECT: VALUATION KEY ASSUMPTIONS

RESOURCE ESTIMATES	Nickel Sulphide Reserve			Gold Tailings		
	Ore (Mt)	% Ni	Ni (kt)	Target (Mt)	Au g/t	Au (koz)
				4.5	0.8	116
Mt Windarra:	3.865	1.61%	62.2	Recovered (50%)	0.4	58
Cerberus:	<u>4.551</u>	<u>1.51%</u>	<u>68.7</u>			
Total:	8.42	1.56%	130.9			
Assume 70% conversion to reserve:	5.89	1.56%	91.7			
MINING METHOD	Underground, sub-level cave		At Mt Windarra; Cerberus subject to final Feasibility Study			
PROCESS METHOD	Crush, grind, flotation		Mineralisation expected to be pentlandite-pyrrhotite-pyrite			
PRODUCTION RATE	Mining tpa	700,000	Feed from both Cerberus and Mt Windarra			
	Nickel in concentrate t/yr	10,000	Output will be Ni in ~18% concentrate			
CAPITAL COSTS	US\$m	130	plus \$50m spent. Concentrator \$60m.			
OPERATING COST	US\$/lb	3.20	Finished metal. Based on sub-level caving.			
PAYABILITY	%	70	Company guidance is for 68-70%			
TAX	%	30	Company tax rate. Tax holiday 2.5 years			
ROYALTY	%	5 or 6	5% WA royalty rate for metal in concentrate; possible 1% to BHP			
MINE LIFE	Years	8+	LOM 7 years at Mt Windarra, 8 at Cerberus, extensions expected			
COMMISSION DATE		2H12	Subject to funding. Mining/stockpiling may start before milling			

SOURCE: BELL POTTER SECURITIES

Explanation

We've valued the Windarra Nickel Project (WNP) by using the DCF method to derive a 12-month, risked Net Present Value (NPV) at a discount rate of 10%, at our long term (LT) nickel price of US\$8.17/lb (from 2016). Based on the WNP valuation, we have also valued POS as an entity, factoring in net cash/debt and some nominal exploration upside (\$25m for doubling the current resource, 1% of in-ground value at the LT price). The capital structure in 12 months is hard to predict, as a ~\$130m fund raising is expected in the near term and there are a significant number of options due to expire in 2H12. Many of the latter, however, have strike prices of +40c and given our undiluted valuation is \$0.31/share, it's possible these will expire unexercised.

The two main revenue sources are Mt Windarra and Cerberus underground mines, with some input from processing gold tailings in the first three years. The specific valuation conditions are based on Poseidon's public documents, some non-specific company guidance, and BPS estimates. These are summarised in Table 3, along with a sensitivity analysis of the NPV to the nickel price and to the mining method chosen for Cerberus.

The latter is important because sub-level caving, which is to be applied at Mt Windarra and which POS hopes to use at Cerberus, has a lower \$/t mined than do cut-and-fill methods. The best method depends on the orebody's plunge. POS guidance is for mining cost \$58/t caved, so we tested a reasonable \$116/t (double) for cut-and-fill at Cerberus only.

In terms of mine life (LOM), for the DCF model we have applied the current Mt Windarra and Cerberus *resources*, in terms of tonnes and grade. It's unlikely that 100% of these resources will convert to mineable reserves, but using the resource tonnes allows the operations a life of at least 12 years – a reasonable assumption given the well-known history of reserve expansions at WA nickel sulphide projects.

We have risked the whole WNP at -20% because, even though it's at an advanced stage, project funding is yet to be acquired; and final costs, mining reserves and the mining method at Cerberus are uncertain until final feasibility studies are published. The latter are still expected this year, 2011.

Nickel prices

Bell Potter's long term nickel price forecast is US\$8.17/lb real (US\$9.24/lb nominal), from 2016. The current LME spot price is \$8.28/lb. In the short to medium term (12-18 months), we see prices as being capped by a nickel market moving into surplus. We estimate that the global refined nickel market was around 1.5-1.6Mtpa in 2010/11. Large-scale projects expected to ramp up over the next 12-18 months should bring new supply of over 250ktpa nickel, around 15% of the current market.

These nickel projects and their major shareholders are listed below. The upside risk to our mid-term price forecast is a delay to one or more of these projects.

- Goro (Vale, New Caledonia): HPAL operation, 60ktpa nickel, ramping-up from 2013;
- Onca-Puma (Vale, Brazil): Ferro Nickel operation to produce 58ktpa nickel, currently in ramp-up;
- Ambatovy (Sherritt International & SNC Lavalin Corporation, Sumitomo Corporation and Korea Resources, Madagascar): to produce 60ktpa nickel, ramping up in 2012;
- Koniambo (Xstrata, New Caledonia): Ferro Nickel operation to produce 60ktpa nickel, ramping up in 2012; and
- Ramu (Metallurgical Corp of China, PNG): 31ktpa nickel ramping up in late 2011.

Corporate

Board and management

(Source: edited from Poseidon Nickel Ltd, 2011 Annual Report)

BOARD OF DIRECTORS

Andrew Forrest, Non-Executive Chairman

Mr Forrest was elected as Non-Executive Chairman of Poseidon Nickel Ltd on 2nd July 2007 and recently announced his retirement as Chief Executive of Fortescue Metals Group. His previous roles include Chief Executive Officer and Deputy Chairman of Anaconda Nickel Limited, Chairman of the Murrin Murrin Joint Venture, Non-Executive Chairman of Moly Mines Ltd and Non-Executive Director of Sibera Mining Corporation Ltd, Director of the West Australian Chamber of Minerals and Energy and Chairman of Athletics Australia. He is an Adjunct Professor of the China Southern University and fellow of the Australian Institute of Mining and Metallurgy. He has won many civic and financial awards including the Australian Centenary Medal and Citizen of the Year for Regional Development. Mr Forrest will now serve as Fortescue's Non-Executive Chairman as well as Chairman of the Australian Children's Trust.

David Singleton, Chief Executive Officer and Managing Director

Mr Singleton has over 20 years international business experience in senior executive roles, primarily in Europe, USA and Australia. He became the CEO & MD of Poseidon Nickel in July 2007. David was the Chief Executive Officer and Managing Director of Clough Limited between August 2003 and January 2007. Prior to joining Clough, he was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems (formally British Aerospace) based in London. Mr Singleton spent three successful years as the Chief Executive Officer of Alenia Marconi Systems and was based in Rome, Italy. Mr Singleton has served as a member of the National Defence Industries Council in the UK, and as a board member and Vice-President of Defence for Intellect. He is a non-executive Director of Triton Gold and a non-executive Director of Quickstep Holdings, which is a technology based GRP manufacturer to the Defence industry. Mr Singleton has a degree in Mechanical Engineering from University College London.

Chris Indermaur, Non-Executive Director

Mr Indermaur has over 30 years of experience in large Australian companies in Engineering or Commercial roles. Amongst these roles he was the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd. He holds, among other degrees, a Bachelor of Engineering (Mechanical) from the West Australian Institute of Technology (now Curtin University) and a Master of Laws from Queensland University of Technology. Chris rejoined the Poseidon Board in April 2009.

Richard Monti, Non-Executive Director

Mr Monti is an experienced geologist and has previously worked with Andrew Forrest as General Manager Resources, and was later appointed as Head of Marketing of the Murrin Murrin Nickel Cobalt operation. In 2004 he founded resources advisory firm Ventnor Capital Pty Ltd. Richard is also a Director of Transit Holdings Ltd, Whinnen Resources Ltd, Jaguar Minerals Ltd and Azimuth Resources Ltd (formerly Epsilon Energy Ltd).

Geoff Brayshaw, Non-Executive Director

Mr Brayshaw had over 35 years experience as a Chartered Accountant in public practice before retiring from practice in June 2005. He practiced primarily in audit and assurance, other areas of practice being corporate finance and litigation support. He gained wide experience in corporate and financial accounting for the exploration and mining industry, including iron ore and nickel. Geoff is a Fellow of the Institute of Chartered Accountants in Australia and was National President of the ICAA in 2002. He is a Non-Executive Director and Chairman of the audit committee of Fortescue Metals Group Limited.

MANAGEMENT TEAM**Robert Dennis, Chief Operating Officer**

Mr Dennis is a mining engineer with over 35 years experience in the nickel, copper, gold and alumina industries. In his former role as COO Adita Birla Minerals Ltd he managed the expansion and development of the Nifty Copper Project in the North West of Western Australia and the Mt Gordon operation in North Queensland. Prior to that, he held positions including General Manager Project Development for Lionore Australia, General Manager Operations for Great Central Mines and Chief Mining Engineer for Western Mining Corporation. During his time with Western Mining Corporation, Rob worked at the Windarra Nickel Project as underground mine manager from 1980-1986. Rob joined Poseidon Nickel in June 2007 as Chief Operating Officer.

Neil Hutchison, General Manager Geology

Mr Hutchison has 18 years experience in the resource/mining industry, working throughout Australia and overseas. He was the Exploration Superintendent at the Cosmos Nickel Project with Jubilee Mines, where he developed an understanding of nickel and ultramafic geology as well as the exploration techniques required to explore Windarra. Neil joined Poseidon Nickel in 2007, Neil has a track record of acquisition, discovery and delineation of ore deposits and has taken several through to mining.

Gareth Jones, Financial Controller

Mr Jones joined Poseidon Nickel in June 2007. He has more than 25 years experience in accounting and commercial roles and specialises in business performance and project management. Former commercial and management positions include Head of Commercial for British Gas Business in the UK and Commercial Manager at Vodafone UK. Gareth is a Chartered Accountant and has an MBA from the University of Warwick.

Michael Rodriguez, Group Technology Manager

Mr Rodriguez, a Metallurgical Engineer with more than 25 years experience in the Mining and Minerals Processing Industry, joined Poseidon in March 2008. During his career he has worked at major facilities including Olympic Dam Operations, Kwinana Nickel Refinery and Murrin Murrin Operations. He has been involved in the design and/or commissioning and ramp up of complex hydrometallurgical and pyrometallurgical plants. Whilst at Murrin Murrin Operations Michael held senior positions as Operations Manager, Projects Manager, Technical Services Manager and Corporate Strategic Development Manager, and was responsible for the development of their oxide heap leach technology. As the inventor and author of a number of Australian and overseas patent applications and widely published technical papers Michael is well known in the industry.

Capital raisings and debt

The most recent and significant funding received by POS via US\$20m in Convertible Notes issued to Harbinger Capital Partners (USA) in March 2011. The notes are unsecured, six-year term, coupon 0% for three years and 5% thereafter, convertible at A\$0.30/share. Simultaneously, POS restructured US\$15m in existing notes that were issued to Harbinger in June 2008, under the same terms as the new notes but with conversion at A\$0.40; these are recognised on the balance sheet as a liability of A\$7.7m. Total liabilities related to loans, borrowings and convertible note derivatives were A\$24.6m at June 30, 2011.

Capital structure

Listed shares and options

204,140,021 Ordinary fully paid Shares

Unlisted shares and options

50,000 Partly Paid Shares Issued \$0.102, paid to \$0.002 leaving \$0.10 to pay (POSAI)

2,500,000 31 July 2012 Unlisted Options EX \$0.40 (POSAU)

9,267,436 31 August 2012 Unlisted Options EX \$0.25 (POSAO)

115,000,000 19 September 2012 Unlisted Options EX \$0.40 (POSAY)

533,000 22 October 2012 Unlisted Options EX \$1.41 (POSAT)

2,000,000 31 December 2012 Incentive Options EX \$0.80 (POSAW)

2,975,000 31 August 2016 Unlisted Options EX \$0.25 (POSAZ)

4,500,000 23 November 2016 Unlisted Options EX \$0.25 (POSAQ)

Unsecured convertible notes

36,531,904 March 2011 six (6) year US\$15m Unsecured Convertible Notes valued on an exchange rate of \$1.0265 convertible at \$0.40 (POSAA)

64,945,608 March 2011 six (6) year US\$20m Unsecured Convertible Notes valued on an exchange rate of \$1.0265 convertible at \$0.30 (POSAM)

Poseidon Nickel

as at 15 December 2011

Recommendation

Spec Buy

Price

\$0.19

Target (12 months)

\$0.31

Table 4 - Financial summary

Poseidon Nickel (POS)						Share price: \$ 0.19				
As at 15/12/2011						Market Cap (undil): \$ 37.8				
						Recom: Spec Buy				
PROFIT AND LOSS										
Ye June 30	2011a	2012e	2013e	2014e	2015e	Ye June 30	2011a	2012e	2013e	2014e
Sales revenue	0.16	1.51	69.42	171.41	173.83	Net Profit adj (\$m)	0.0	-17.6	12.7	42.1
EBITDA	0.42	-14.93	24.94	64.29	59.44	EPS (c)	0.1	-4.8	11.3	10.3
Depreciation	0.01	0.00	4.36	15.35	16.34	EPS growth (%)	n/a	n/a	n/a	-9
EBIT	0.41	-14.93	20.58	48.94	43.10	P/E ratio (x)	n/a	n/a	1.6	1.8
Net Interest Expense	0.16	4.03	9.49	7.59	6.07	CFPS (c)	0.1	-2.9	6.4	16.6
Pre-tax Profit	0.41	-17.57	12.71	42.06	38.37	Price/CF (x)	150.2	-6.3	2.9	1.1
Tax	0.12	0.00	0.00	0.00	0.00	DPS (c)	0	0	0	0
Equity Net Profit	0.29	-17.57	12.71	42.06	38.37	Yield (%)	0	0	0	0
Adjustments	-0.26	0.00	0.00	0.00	0.00	Franking (%)	0	0	0	0
BP adj Profit	0.03	-17.57	12.71	42.06	38.37	EV/EBITDA	n/a	n/a	1.7	0.5
One-off items	0.00	0.00	0.00	0.00	0.00	EBITDA margin (%)	n/a	n/a	14.6	37.3
Reported Net Profit	0.03	-17.57	12.71	42.06	38.37	12 month valuation per share:				0.31
						A\$ Target price (12 mth):				0.31
						<i>Total Return (including yield)</i>				68%
CASHFLOW										
Ye June 30	2011a	2012e	2013e	2014e	2015e	PROFITABILITY RATIOS				
Receipts from customers	0.00	0.00	67.81	170.70	172.50	Ye June 30	2011a	2012e	2013e	2014e
Payments to suppliers	0.00	-10.06	-40.15	-102.15	-111.39	EBITDA/sales (%)	n/a	n/a	15	37
Net interest	0.15	0.13	-6.27	-6.17	-3.40	EBIT/sales (%)	n/a	n/a	30	29
Tax paid	0.00	0.00	-0.87	0.00	0.00	Return on Assets (%)	0	-9	6	20
Other	-1.79	-4.25	4.02	-0.40	-2.76	Return on equity (%)	0	-11	7	24
Operating cashflow	-1.64	-14.18	24.54	61.99	54.95	Return on funds empl'd (%)	0	-7	-3	27
Capex	-0.59	-22.09	-66.78	-7.13	-7.13	Dividend cover (x)	0	0	0	0
Exploration, acquisitions	-2.20	-9.52	-4.00	-6.00	0.00	Effective tax rate (%)	-30	0	0	0
Asset sales	0.00	0.00	0.00	0.00	0.00	EXPLORATION AND CORPORATE SPENDING				
Other	-0.02	-0.01	0.00	0.00	0.00	Ye June 30	2011a	2012e	2013e	2014e
Investing cashflow	-2.80	-31.62	-70.78	-13.13	-7.13	Exploration costs (\$m)	2.2	9.5	4.0	6.0
Change in borrowings	-14.56	-9.68	0.00	36.65	35.86	Corporate costs	1.0	3.1	3.0	3.0
Equity raised	2.29	1.54	2.32	0.00	0.00	Ratio % Exploration/(Expl + Corp)	68	76	57	67
Dividends paid	0.00	0.00	0.00	0.00	0.00	Cash burn rate (yrs remaining)	27	1	5	6
Other	28.65	19.20	-7.16	-73.29	-71.73	Drilling (m)	n/a	n/a	n/a	n/a
Financing cashflow	16.39	11.06	-4.85	-36.65	-35.86	VALUATION (risk adjusted -30%, 12-mth NPV₁₀, undiluted)				
Net change in cash	11.95	-34.74	-51.09	12.22	11.95		\$m	Undil \$/sh*	Dil \$/sh*	
Cash at end of period	14.16	59.95	8.86	21.08	33.03	Mt Windarra Nickel Project	94	0.25	0.24	
						+ Cerberus Nickel Project	74	0.20	0.19	
						+ Gold tailings	34	0.09	0.09	
						+ Exploration	25	0.07	0.06	
						+ Net Cash	-89	-0.24	-0.23	
						- Corporate	-18	-0.05	-0.05	
						Total	120	0.32	0.31	
						* 4Q12, shares 387m (place \$40m at 0.25c), ops 14m, 2H12 ops at +0.40c finish out of the money				
BALANCE SHEET										
Ye June 30	2011a	2012e	2013e	2014e	2015e	PRODUCTION PROFILE				
Cash	14.16	59.95	8.86	21.08	33.03	Base Case Production, Ni tonnes	2012e	2013e	2014e	2015e
Receivables	0.65	0.00	0.00	0.00	0.00	Mt Windarra	0	1,643	4,691	4,793
Inventories	0.00	0.00	0.00	0.00	0.00	Cerberus	0	1,581	4,512	4,611
Investments	0.00	0.00	0.00	0.00	0.00	Total	0	3224	9203	9405
Other	0.00	0.00	0.00	0.00	0.00	RESOURCES				
Current Assets	14.81	59.95	8.86	21.08	33.03		Mt	Ni %	Ni kt	
PPE	2.34	67.37	129.79	121.57	112.36	Mt Windarra	3.86	1.61	62.2	
Investments	45.64	2.20	45.64	55.70	53.70	Cerberus	4.55	1.51	68.6	
Intangibles	0.00	0.00	0.00	0.00	0.00	South Windarra	0.77	0.98	7.5	
Other	3.96	3.96	3.96	3.96	3.96	Total	9.19	1.51	138.4	
Non-current Assets	51.93	127.02	193.44	193.44	182.01	ASSUMPTIONS				
Total Assets	66.74	186.97	202.30	212.30	215.04	Ye June 30	2012e	2013e	2014e	2015e
Payables	2.39	0.01	2.39	0.25	0.03	A\$/US\$	1.02	0.98	0.94	0.89
Debt	13.63	13.87	13.87	13.88	13.88	Nickel Price (US\$/lb real)	9.65	10.00	9.75	9.15
Provisions	3.56	0.00	3.56	3.56	3.56					
Other	10.95	10.95	10.95	0.00	10.95					
Total liabilities	30.52	28.63	35.66	38.26	38.50					
Shareholders' equity	36.22	158.34	166.65	174.04	176.54					
Minorities	0.00	0.00	0.00	0.00	0.00					
Total equity	36.22	158.34	166.65	174.04	176.54					
W/A diluted shares on issue	339.8	507.1	387.0	387.0	387.0					

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Spec Buy: Expect >30% total return on a 12 month view but carries significantly higher risk than its sector

Buy: Expect >15% total return on a 12 month view

Accumulate: Expect total return between 5% and 15% on a 12 month view

Hold: Expect total return between -5% and 5% on a 12 month view

Reduce: Expect total return between -15% and -5% on a 12 month view

Sell: Expect <-15% total return on a 12 month view

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