

## Poseidon Nickel Ltd (POS) – Black Swan Ore reserve

Poseidon Nickel (POS), \$0.17, Recommendation: Speculative Buy, Valuation: \$0.62

Analyst: Paul Adams

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### Key Points

POS has released the JORC reserve for their recently acquired Black Swan Project in WA. From an indicated resource base of 9.4Mt, independent estimates place the reserve at 3.37Mt at 0.63% Ni for 21,500 tonnes, representing a conversion rate of 34%. The reserve is composed of a substantial ROM stockpile inventory of 1.19Mt at 0.49% Ni with an additional 2.17Mt at 0.71% Ni from in-situ sulphide material. The initial reserve provides for 3 years of mill feed with one of those years being from the already stockpiled ore. POS intend to initially supply the mill for 6 months from the stockpiled material whilst dewatering the Black Swan open pit to get operations off the ground. Water from the pit will be used as process water for treatment of the stockpile.

The Black Swan reserve adds 21,500 tonnes to the POS existing reserves of 25,000 tonnes in the Windarra and Cerberus deposits in Laverton. POS believe there is little point in proving up additional reserves prior to initiating production start-up given the negligible costs involved in start-up expenditure – estimated at just \$1.5m.

Mining operations are estimated at A\$6.13 - 6.90 per tonne of ore, based on a strip ratio of 0.5 from predominantly serpentinite (high recovery) ore. Concentrate produced would have a grade of 13.5% Ni. Total site cash costs would be \$16m to \$22m per annum.

### Our View

We modelled Black Swan's mined grade at 0.70% vs 0.71% in the reserve for ore in-situ. Our concentrate grade assumption was 12% vs POS estimate of 13.5%. A positive. Cash costs are in-line with our assumptions - \$18.2m vs \$16–22m estimated by POS. We modelled a Black Swan start-up in 2017 when ore from Windarra would be used to supplement mill feed from Black Swan. However, in our view, the door is now open to POS to bring forward a start date for the Black Swan project, which would have a positive impact on our NPV estimate, particularly now that an ore tolling agreement reached with Nickel West provides positive cash flow from Windarra.

### Contacts

#### Research

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