

Swanning back into production

Poseidon Nickel Ltd could be just 12 months away from gaining its long-awaited producer status.

The 450m drill drive in last year's Golden Swan discovery was completed last month and two underground rigs are now aggressively turning in a bid to rapidly pull together a maiden resource estimate for the moment the calendar flips over into the new financial year.

Poseidon is proposing to immediately convert that resource into a reserve as part of a detailed mine plan which is set to be presented to the board for a final investment decision in late Q4 2021.

If approved, Golden Swan will be developed as a contract mine proposition under which ore will likely be trucked to a third-party concentrator until a decision is made on the future of the existing processing facilities at Black Swan which have been on care-and-maintenance since 2009.

Argonaut metals and mining research director John Macdonald recently estimated pre-production capital outlays at Golden Swan could be kept to less than \$15 million, most of which would be mobilisation costs also covering plans to access high-grade nickel reserves in depth extensions at the nearby Silver Swan mine.

Poseidon managing director Peter Harold predicted an exciting year ahead for the company which acquired the Black Swan assets from Russia's Norilsk Nickel back in 2014.

"We're ticking all the boxes," Harold told **Paydirt**. "We're near-term production, we have a high-quality, high-grade orebody, and we can produce an ore or we can get the concentrator going and sell concentrate."

"We've got so much optionality and none of these things are big cost because we've got all the infrastructure already in place."

Harold, who joined Poseidon following a six-month sabbatical after almost two decades at the helm of nickel producer Panoramic Resources Ltd, arrived at the company just as the Golden Swan discovery was being confirmed.

The start of his tenure also coincided with the onset of the coronavirus pan-

demic which forced the company to down tools at Golden Swan for a brief period.

"It was probably the only negative for us in this past year because everything else we've done comes back to doing what we said we were going to do and we're right on track to start mining early next year," Harold said.

"High-grade orebodies like this are pretty rare. And because they are high-grade you can drill out bulk tonnages pretty quickly. If you marry that up with a much improved outlook for nickel, it's all coming together very nicely for us."

Macdonald also noted in his research report that "high-grade, komatiite-hosted nickel discoveries in Western Australia are sweet, particularly when their exploitation coincides with firm nickel prices". He also suggested that "Golden Swan, as it stands, looks like a stepping-stone a bigger play".

Before Harold joined the company, Poseidon had focused its efforts on a major restart of the Black Swan concentrator underpinned by the resurrection of the historic open pit and underground mines. However, the high capex coupled with a low nickel price environment meant that option could not be justified.

Poseidon now plans to use cash flow from Golden Swan to re-evaluate the opportunities across its portfolio, headlined by two nickel concentrators with combined ore processing capacity of 3.5 mtpa.

"It was a fairly big undertaking and a reasonably large amount of capital for clearly what was predominately a low-grade project and being much more susceptible to fluctuations in the nickel price," Harold said.

"Now that you've got a much stronger



Poseidon has completed the 450m drill drive into Golden Swan

outlook for nickel – we're not talking about \$US4/lb nickel going forward, everyone is talking about \$US8-10/lb – if you've got that and you've got high-grade material, then you're going to have very, very strong margins and a far more robust business for shareholders.

"Lower risk and higher margin; you can't argue with that."

Harold said the company hoped to finalise its negotiations with potential offtakers over the coming months, as well as make a decision on how best to monetise the gold tailings resources at Windarra and Lancefield.

A feasibility study on the gold (current resource of 180,000oz across three tailings dams) is imminently due for completion.

"We'll look to package all that up and probably get a partner in," Harold said.

"Our investors are not gold investors, they're base metal investors, and we recognise that. We won't be going to our shareholders and asking them for money to develop a gold project because that's not what they signed up for."

– Michael Washbourne