



4th October 2022

Poseidon Nickel Limited

Strong fundamentals underpinning development case(s)

Poseidon Nickel Limited (ASX:POS) has been listed on the ASX-listed since Nov-1993 and is a minerals-play primarily focussed on moving its portfolio of three nickel sulphide assets, located in the Goldfields region of WA, into development. The company is pursuing a 'fill the mill' strategy with the goal of becoming a multi-project producer of Ni-sulphide concentrate, at rates greater than 15kt pa, supported by a resource base of c.400kt (Ni) and 180koz (Au) (contained metal). The plan is to be underpinned by a return to production at its Black Swan Project as soon as practical with a Bankable Feasibility Study ("BFS") evaluating two development cases approaching conclusion... (a) 1.1Mt pa of ore to produce smelter-grade concentrate versus (b) a 2.2Mt pa rougher concentrate for treatment via Pressure Oxidation (POX) and/or High Pressure Acid Leach (HPAL). These outcomes of the studies will underpin a Final Investment Decision. POS has also signed a Memorandum of Understanding (MOU) with Pure Battery Technologies, evaluating the potential of establishing a refinery hub producing battery precursor Cathode Active Material (pCAM) in Kalgoorlie. A commitment to this would assist the 2.2Mt pa business case. The investment case looks attractive, with well-located and well-advanced Ni-sulphide projects, leveraging processing infrastructure and heading into a project sanction. The inexorable drive towards EVs, battery usage in power supply and requirement for speciality steels, should support strong Ni demand and higher commodity prices over the medium-to long-term.

It starts at Black Swan with an imminent sanction decision

The key plank in the fill-the-mill strategy is the Black Swan Project. The asset, which has been on care and maintenance through FY22, includes the Silver Swan underground mine, Black Swan open pit, a 2.2Mt pa concentrator and associated infrastructure. A Final Investment Decision on the scale and scope of an operational restart is due post completion of the BFS. Both considered options come with unique opportunities and risks...smelter-grade ore is likely to require less capex but offset by a shorter project life and perhaps a higher carbon footprint, whilst the rougher concentrate option through to POX/HPA and potentially pCAM would utilise a higher-risk technology. Resource drilling has been completed and the project is estimated to contain c.206kt contained Ni of which some 50% is classed as Measured and Indicated at an average grade of 0.89% Ni.

There are more options at Windarra and Lake Johnston

Poseidon also controls the Windarra and the Lake Johnston projects. Lake Johnston has a 52kt Ni Resource at Maggie Hays and a 1.4Mtpa processing plant on C&M. Windarra contains a number of historic discoveries, which were previously mined at the Mt Windarra and South Windarra locations. Significant drilling activity since 2008 underpins a JORC-compliant resource of 150kt Ni with the addition of the new deposit at Cerberus. The company has also delineated a 183koz (Au) gold and 670koz (Ag) resource within the Mt Windarra tailings. The strategy is to restart operations at Lake Johnston after Black Swan is in operation with potentially, ore from Windarra trucked to Black Swan in a later phase. In addition, a 15,000m RC drill programme is planned at Lake Johnston in 2023 on the prospective Western Ultramafic unit.

Inflation headwinds add uncertainty but fundamentals look strong

Rising interest rates and inflation numbers point to global growth uncertainty driving the short-term sentiment, however, industry and particularly battery metals fundamentals continue to look positive in a post-inflationary phase supported by the continued roll-out and acceleration of renewable energy projects and take up of EV options.

Share Details

ASX code	POS
Share price	\$0.043
Market capitalisation	\$132M
Number of shares	3,064.0M
Total options on issue	8.0M
Net cash at 30-Jun-2022	\$11.1M

Share Price Performance (12 months)



Upside Case

- Black Swan project BFS and decision to proceed underpinning a tangible valuation benchmark
- Exploration activity continues to build the resources base and de-risk the growth strategy
- Upside to spot commodity prices

Downside Case

- Inflation and rising interest rates materially impact global demand outlook and put downward pressure on commodity prices, with upside pressure to costs
- Material push back to the timing of the Black Swan sanction decision, implying uncertainty over capex, financing and economics
- Future financing uncertainties making the timing of next phase works uncertain

Catalysts

- Black Swan FID
- Drilling delivering new, potentially material discoveries

Comparative Companies (Australia & NZ)

LM8, MG, LEG, GAL

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FINANCIAL SERVICES GUIDE

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Effective Date: 6th May 2021

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