



# Resources

## Stocks Down Under

📖 *Take care not to destroy something valuable, such as a source of steady income, through greed, impatience, or a desire for instant gain.* 📖

- Martin H. Manser (b. 1952), reference-book editor and Bible scholar

### — **LIONTOWN RESOURCES**

Lithium for the  
next generation

### — **TITAN MINERALS**

This Dynasty is better  
than the TV show

### — **POSEIDON NICKEL**

The Golden Swan  
gift that keeps on  
giving

# LIONTOWN RESOURCES

Lithium for the next generation

---

Stocks Down Under rating: ★★★★★

**ASX: LTR**  
**Market cap: A\$ 823M**

**52-week range: A\$0.053 / A\$0.485**  
**Share price: A\$ 0.44**

Liontown Resources owns the world's fourth largest lithium-spodumene resource, behind AVZ, Albermerle and Pilbara Minerals. Initial feasibility studies have confirmed the company's flagship Kathleen Valley Lithium-Tantalum Project near Leinster in Western Australia as a viable standalone mining operation ready to meet lithium's positive rise in 2023-24. Shares in Liontown Resources spiked to 29 cents in mid-October after the company announced an updated version of its Pre-Feasibility Study for the project and the stock has continued to move higher.

[READ MORE](#)

# TITAN MINERALS

This Dynasty is better than the TV show

---

Stocks Down Under rating: ★★★★★

**ASX: TTM**  
**Market cap: A\$ 137M**

**52-week range: A\$0.03 / A\$0.18**  
**Share price: A\$ 0.12**

For more than five months now Titan Minerals, developer of the Dynasty Gold Project in Ecuador, has been out of favour, falling from 17 cents on 7 August to just 12 cents as 2020 ended. That's because of the recent easing back of gold, and has nothing much to do with Dynasty, in our view. That project, which covers a potential 2-million-ounce resource in a mining friendly country, has given investors a lot to be excited about.

[READ MORE](#)

# POSEIDON NICKEL

The Golden Swan gift that keeps on giving

---

Stocks Down Under rating: ★★★★★

**ASX: POS**  
**Market cap: A\$ 197M**

**52-week range: A\$0.025 / A\$0.097**  
**Share price: A\$ 0.075**

There's a reason why Poseidon Nickel has the same name as that famous nickel explorer which caused the 1969-70 mining boom in Australia – the company's Mt Windarra Project covers a nickel and gold resource in the same place where its namesake found its company-maker all those years ago. However it's the Black Swan Project further south that has had everyone taking notice lately. We expect good things here, particularly with nickel performing so well in 2020.

[READ MORE](#)

# LIONTOWN RESOURCES

Lithium for the next generation

Stocks Down Under rating: ★★★★★

ASX: LTR

Market cap: A\$ 823M

52-week range: A\$0.053 / A\$0.485

Share price: A\$ 0.44

Liontown Resources owns the world's fourth largest lithium-spodumene resource, behind AVZ, Albermerle and Pilbara Minerals. Initial feasibility studies have confirmed the company's flagship Kathleen Valley Lithium-Tantalum Project near Leinster in Western Australia as a viable standalone mining operation ready to meet lithium's positive rise in 2023-24. Shares in Liontown Resources spiked to 29 cents in mid-October after the company announced an updated version of its Pre-Feasibility Study for the project and the stock has continued to move higher.

## Share price chart



Source: Tradingview

## Better fundamentals for Kathleen Valley

The Kathleen Valley Lithium-Tantalum Project is shaping up as one very valuable lithium asset. The project is located in WA's Eastern Goldfields, 45 km north-northwest of Leinster, the town spawned by nickel in the '70s. The updated PFS shows a Net Present Value of \$1.2bn (from \$507m, 8% discount) and an Internal Rate of Return of 37% (from 25%) with a free cash flow of \$4.8bn and a mine life of 40 years. The next stage for Liontown will be a Definitive Feasibility Study due late in 2021 for Kathleen Valley and additional drilling at its largely unexplored Moora Gold-Copper-Nickel Project just near Perth. The company sees Kathleen Valley as a potential Tier 1 lithium project, similar to the likes of Greenbushes (Albermerle) and Mt Holland (Wesfarmers) in terms of scope and quality.

The PFS follows on from Kathleen Valley's updated Mineral Resource Estimate (MRE) in May, which boosted the resource to 156 million tonnes at 1.4% lithium oxide, comprising 2.1 million tonnes of contained lithium oxide and 44 million pounds of contained tantalite. As part of that PFS, a separate Downstream Scoping Study (DSS) also provided a strong financial basis for an integrated mining, processing and refining operation on-site where the company hopes to produce either battery-grade lithium hydroxide monohydrate (LHM) or lithium sulphate monohydrate (LSM).

Both lithium hydroxide and lithium sulphide compounds are desirable cathode materials used in lithium-ion batteries, Electric Vehicles and energy storage because of cost and flexibility. Both can be derived from hard rock lithium at a faster process. Lithium hydroxide is expected to overtake lithium carbonate because of its use in high-nickel lithium ion batteries required in Electric Vehicles. The company's forecasts assert this too: the alternative downstream scenarios show a Net Present Value of A\$4.8bn (8% discount) and Internal Rate of Return of 41% for LHM, and A\$3.2bn and 35% for LSM.

### **A soon to be irreplaceable element**

Liontown has managed to remain one of Australia's standout lithium performers, weathering calendar 2019's tough year for mineral explorers with its own solid timeline (which included the December PFS) and then going on to bigger and better things in 2020. The share price has risen severalfold in just 2020. This was helped by its intention to begin first production by 2024, which is about the time that lithium is expected to make a breakthrough. It's also the time that the deficit in lithium will smack producers of 'Green' technologies (Electric Vehicles and lithium batteries being the most obvious products) in the face, with some fears that only companies like Tesla and VW will not have access to enough battery grade lithium in 2023. That must make Liontown's Integrated Project more worthwhile to customers now that the window to provide such quantities of lithium is getting smaller and smaller.

The plan for a combined mine, process plant and refinery is not just predicated on the good financial metrics, but also buoyed by the surprising swing to lithium in 2020, starting with a concerted effort in Europe to ensure Electric Vehicle production subsidies, California's push to ban internal combustion engine cars by 2035 and India's \$4.6bn incentive for EV battery production. Depending on what process Liontown chooses for its refinery feedstock, the company's ability to get up and running in time for lithium's lift should make it an attractive choice for any future agreements.

### **Capitalising on Kathleen's strong growth profile**

With stronger economics in place for the project, the focus now is the standalone mining and processing operation, which would make Liontown one of the leading hard rock lithium producers. Based on the key metrics from the PFS, the company is expecting the total capital expenditure (CAPEX) at A\$325m including A\$67m for an open-pit mine operation, with an average spodumene price (2024-2040) of U\$739 per dry metric tonne.

The PFS has been a key step for Liontown in that there is now an opportunity to produce high value refined metal through downstream processing rather than conventional DMS (Dense Medium Separation) and flotation processing. The downstream scoping study metrics are something else too: the Net Present Value of the project is substantially improved with LSM/LHM production. Now that Kathleen Valley is fully funded for the DFS with a \$12.5m placement, the company can also look to more drill results from its Moora Project, 95 km from Chalice's smoking hot Julimar discovery. Four stars for what is turning out to be a globally significant project.

# TITAN MINERALS

This Dynasty is better than the TV show

Stocks Down Under rating: ★★★★★

ASX: TTM

Market cap: A\$ 137M

52-week range: A\$0.03 / A\$0.18

Share price: A\$ 0.12

For more than five months now Titan Minerals, developer of the Dynasty Gold Project in Ecuador, has been out of favour, falling from 17 cents on 7 August to just 12 cents as 2020 ended. That's because of the recent easing back of gold, and has nothing much to do with Dynasty, in our view. That project, which covers a potential 2-million-ounce resource in a mining friendly country, has given investors a lot to be excited about.

## Share price chart



Source: Tradingview

Titan Minerals has been public since 2006, but it has only been in recent days that it has found its mojo. For a long time, when it was called Minera Gold, all the company was known for was small-scale projects in Peru, where operational issues resulted in the company entering administration in 2015. After a restructuring in 2017 and a name change to Titan Minerals, the company made a step change in 2019 and 2020 when it raised \$20m and merged with the Canadian-listed Gold Core. That deal, completed last May, brought in a suite of projects in the Latin American nation of Ecuador, including Titan's new flagship, the Dynasty Gold Project in the southern province of Loja.

## Working with that other revolutionary Lenin

Say the name Ecuador in respectable investor circles and people may raise their eyebrows and ask which May Day parade you march in. This country of 17 million people, capital Quito, is, after all, the place whose president since 2017 has been Lenin Moreno. That's right, he gets his first name from a certain well-known Russian revolutionary. Maybe that's why Titan Minerals is currently only capitalised at about \$140m on ASX even though Dynasty may host a 2-million-ounce resource.

Don't let that unfortunate first name fool you. It is true that under Moreno's predecessor, Raphael Correa, who was in charge for 11 years from 2006, Ecuador went some way down the path of '21st century socialism', following Correa's political mentor, the late Venezuelan President Hugo Chávez. But that was then and this is now. Moreno has, surprisingly, changed Ecuador's course, re-establishing close relations with the United States and moving his country toward the political centre. And that has meant making it friendly to foreign mining investors like Titan. For proof that Ecuador is open for mining business, consider that Newcrest Mining (ASX: NCM) last year made a huge investment in a new gold mine called Fruta Del Norte, something we discussed in Stocks Down Under on 26 May 2020.

## **A gold-rich neighbourhood**

In Lenín Moreno's Ecuador there are now no gold export restrictions, royalty rates have been reduced and the hated windfall tax – a punitive tax levied at a rate of 70% for all large-scale mines – has been eliminated.

What's the attraction of Ecuador now that the policy settings are coming right? The country is underexplored compared to its neighbours, with an abundance of gold (the province right next door to Loja is called El Oro), copper and silver resources. And there's the potential to find a monster resource in the country – Fruta Del Norte's probable reserve is 5.41 million ounces of gold grading at a gratifying 8.1 grams per tonne. And in 2021 that mine will produce at an All-In Sustaining Cost of just US\$770-830 an ounce.

Titan's 139 sq. km Dynasty project is in the same general area as Fruta Del Norte. That mine is in Zamora Chinchipe province way down in the southeast. Loja province is next door to the west. Dynasty encapsulates the history of small-scale mining in the area with Titan barely scratching the surface (no pun intended). The company has spent the year assaying historical drilling at the site to inform its upcoming JORC estimate. The only reason we were equivocal on Dynasty's 2-million-ounce resource is the fact that the current resource of 2.1 million ounces at 4.5 grams per tonne is non-JORC. Encouragingly, the resource covers only a small section of the 9 km by 1 km wide corridor, with a 5km 'drill gap' Titan wants to prove up. There is potential for Titan to include considerably more to the estimate now that the company has identified historical operations that produced gold from blind veins around the Cerro Verde prospect. Much of Titan's future campaign will be focussed on this prospect, which isn't in the current resource at all.

## **The new Jerusalem**

There's about 12,000 metres planned for the current diamond drilling campaign. The JORC estimate was initially expected for late 2020, but COVID-19 related restrictions has pushed that forward to the current year. Dynasty isn't Titan's only Ecuadorian project. Also in the portfolio is the Copper Duke copper-gold porphyry 20km to the east, the newly acquired Jerusalem Gold Project, the Linderos Gold Project and a gold plant called Portovelo. However, Dynasty is where most of the action is right now.

As hard as Titan had to fight to acquire Core Gold and Dynasty, it has also seemed oddly lucky: when the company's original friendly-takeover deal with Core Gold was overturned, Titan had to face off against the \$30bn gold producer Zhaojin Mining (itself an established presence in Ecuador) to acquire the assets. That's telling you Titan's current leadership team is talented. Sure, that puts a lot of pressure on Titan to bring Dynasty, Copper Duke and now the Jerusalem Gold project to their full potential. And sure, gold is temporarily out of favour. But that's nothing a good Dynasty resource upgrade, or drilling intersection at Copper Duke, can't overcome. Four stars from us.

# POSEIDON NICKEL

The Golden Swan gift that keeps on giving

Stocks Down Under rating: ★★☆☆

ASX: POS

Market cap: A\$ 197M

52-week range: A\$0.025 / A\$0.097

Share price: A\$ 0.075

There's a reason why Poseidon Nickel has the same name as that famous nickel explorer which caused the 1969-70 mining boom in Australia – the company's Mt Windarra Project covers a nickel and gold resource in the same place where its namesake found its company-maker all those years ago. However it's the Black Swan Project further south that has had everyone taking notice lately. We expect good things here, particularly with nickel performing so well in 2020.

## Share price chart



Source: Tradingview

Poseidon Nickel has a legacy – or at least its name does. During the 1960s and into the early 1970s nickel was in short supply and when Poseidon's first incarnation found nickel in 1969 at its Mt Windarra Project, 260 km northwest of Kalgoorlie, it sparked a mining boom of extreme proportions. By February 1970, Poseidon's share price had peaked to \$280 per share (or \$3,200 in today's terms) on the back of incorrect assay reporting at Mt Windarra and wild media and investor speculation. By April 1970, shares had fallen back to around \$70. While Mt Windarra was a producing mine from 1974 to 1991, mainly under the aegis of Western Mining Corporation, Poseidon 1.0 was delisted in '76 and an idle Mt Windarra was ultimately bought by Niagara Mining in 2006. That 'Poseidon 2.0' is what we know today as Poseidon Nickel.

## Poseidon's Black Swan event

A turn or two later on mining's wheel of fortune and Poseidon now has three nickel sulphide projects in the Western Australian goldfields: Lake Johnson, Black Swan and Mt Windarra with a combined nickel resource of 395,000 tonnes. Right now Black Swan is where the action is. If your memory of Western Australian nickel stretches back 25 years or so you'll know something of Black Swan's pre-history.

In late 1995 the privately-held Mining Project Investors found nickel at a prospect called Silver Swan. The discovery was a major one with analysts hailing it as the most significant since Kambalda. The location was exquisite, being only 45km north-east of Kalgoorlie. And at the time nickel was looking good at around US\$8,000 a tonne. Within two years MPI and its joint venturer, the Finnish company Outokumpu, had Silver Swan into production as an underground mine. What they'd developed was one of the highest grade nickel mines in the world, where the average grade over the life of mine was 5.5% and they added to it by bringing the lower grade Black Swan open pit deposit into production in 2004. Silver Swan's high grades, however, weren't enough to save it, or Black Swan, from low nickel prices, which is what caused Russia's Norilsk to shut it down in 2009.

Poseidon Nickel bought Silver Swan and Black Swan from Norilsk in 2014 with the Black Swan 2.2 Mtpa concentrator as part of the deal. The company has been working on a restart of what it calls the Black Swan Project ever since. In late March 2020, just as the Corona Crash was ending, the likelihood of that restart increased markedly thanks to Golden Swan discovery, where a maiden drill hole returned a massive sulphide intersection. At the time the share price didn't move much, but a second massive sulphide discovery in August 2020 did the trick. How good were these holes? Well, how does 23 metres at 4% nickel strike you for the first hole? Or 9 metres at 10.5% nickel for the second? Wow! Throw in a better nickel price and investors were more or less assuming from mid-2020 that Black Swan was a done deal.

### **Golden days for Black Swan and Mt Windarra**

Black Swan now covers a nickel resource encompassing 195,000 tonnes of the metal, 16,000 tonnes at a very high 9.5% nickel in the Silver Swan underground response and 179,000 tonnes in the Black Swan open pit and stockpiles, where the average grade is a more modest 0.6%. In 2021 Poseidon will study the potential of a Black Swan concentrator restart, either through the production of Direct Shipping Ore for the higher grade stuff or through a restart of the Black Swan concentrator.

The beautiful part about Poseidon Nickel is that this is not the only string to its bow. In June 2020 the company published the results of a Preliminary Feasibility Study on the Mt Windarra Project. The current incarnation of Poseidon has been pretty assiduous in drilling the Mt Windarra area looking to see what the old timers left behind. That work has led to the discovery and delineation of a new resource called Cerberus, while Poseidon also found in excess of 183,000 ounces of gold and 670,000 ounces of silver in the Mt Windarra tailings. The 2020 PFS showed that those precious metals were worth \$30m in future operating cash flow, based on an Australian dollar gold price of just A\$2,500 an ounce. \$25m in capex is all it is likely to take to get this operation going, for an NPV of \$23m at an 8% discount rate. Poseidon is now working on a Definitive Feasibility Study.

We think 2021 is going to be a good year for Poseidon Nickel. The commodity in the company name has recently been north of US\$18,000 a tonne with Elon Musk in effect telling miners last year he needs all the nickel he can lay his hands on. And Golden Swan is likely to yield a decent intersection or two in the next few campaigns given what we've seen to date. Any project in terms of a Black Swan restart would be icing on the cake. Four stars.



# Pitt Street Research Pty Ltd

95 Pitt Street, Sydney, NSW 2000, Australia

Pitt Street Research Pty Ltd is founded on more than 40 years of combined experience researching companies in a range of different sectors.

You are receiving this email because you subscribed to our Stocks Down Under newsletter.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission from Pitt Street Research Ltd Pty. All intellectual property relating to the Content vests with Pitt Street Research unless otherwise noted.

Stocks Down Under (Pitt Street Research AFSL 1265112) provides actionable investment ideas on ASX-listed stocks. The Content has been prepared for general information purposes only and is not (and cannot be construed or relied upon as) personal advice nor as an offer to buy/sell/subscribe to any of the financial products mentioned herein. No investment objectives, financial circumstances or needs of any individual have been taken into consideration in the preparation of the Content. Financial products are complex, entail risk of loss, may rise and fall, and are impacted by a range of market and economic factors, and you should always obtain professional advice to ensure trading or investing in such products is suitable for your circumstances, and ensure you obtain, read and understand any applicable offer document

