

9th June 2015

Poseidon initiates approval for Windarra processing at Black Swan

Highlights

- **Poseidon moves to take advantage of Black Swan and Lake Johnston acquisition to develop overall strategy of processing ore from 3 mines through its two concentrators**
- **Detailed proposal to process Windarra ore at Black Swan has been formally submitted to the Minister for State Development. Under the Poseidon Nickel Agreement Act 1971, proposals are reviewed over a 2 month period**
- **Poseidon will not, as a result, seek renewal of the option to process Windarra ore at Leinster**

Poseidon Nickel Limited (ASX:POS or the Company) is pleased to announce an update to its strategy for Windarra ore processing following its acquisition of the Black Swan project which was completed at the end of March 2015. Black Swan includes a full nickel ore processing plant that has sufficient capacity to process ore from Windarra in addition to ore sourced from the Black Swan open pit. The plan involves trucking ore to Black Swan and avoids significant new above ground infrastructure at Windarra.

David Singleton, Managing Director and CEO said, "Our first priority is now the recommencement of operations at Lake Johnston. This announcement prepares the way for the second stage in our strategy which is the recommencement of operations at Windarra. This would eventually result in us having 2 operational process plants at Black Swan and Lake Johnston being fed from 3 mines including Windarra."

To facilitate this option, Poseidon has now formally submitted an application to the Minister for State Development which covers the restart of mining at Windarra and shipment of ore to Black Swan for processing. The application has been informally under review for several months and now that the acquisition of Black Swan has been completed, the application has been formally submitted. Under the conditions of the Poseidon Nickel Agreement Act 1971, the Minister for State Development shall consider the application within 2 months of receipt and give notice to Poseidon of his decision. It should be noted that an application for the restart of the operations at Windarra was previously considered by the Minister for State Development in 2012 when construction of a concentrate processing plant and other associated activities on the site was envisaged. This application was approved with certain conditions attached. The proposal now submitted is simpler in scope as ore will be transported to Black Swan for treatment at the existing concentrator. Black Swan currently holds approvals to operate and is formally in care and maintenance.

Poseidon has previously indicated that its acquisition of the Black Swan Project would facilitate the processing of Windarra ore which would be blended with existing ore from the

Black Swan open pit. Poseidon announced the results of an engineering study into the Black Swan treatment option in August 2014. The report outlined a capital saving of \$240m over building a new facility at Windarra, confirmed that the blending of ores from the two sites was feasible, produced 9,800 tonnes of nickel in a smeltable grade concentrate and that operating cash costs were conservatively estimated to be circa US \$4.05/lb.

The application for treatment of ore at Black Swan follows delays in formal approval to deliver ore to the Leinster concentrator. Poseidon had initially believed that a target of first ore deliveries in February this year would be feasible, however this date has clearly not been met and no timeframe for receipt of the approval has been provided. The Leinster offtake contract signed in 2014 is due to lapse and Poseidon does not intend to seek an extension at this time.

Part of the rationale for the purchase of Black Swan was to cover the risks of such an event and to provide long term processing security for Windarra. Processing Windarra ore at Black Swan provides the additional benefit of higher production rates of nickel because of the ability to blend ores from both sites. Black Swan is a low cost processing option that has access to grid power provided by the SWIS (South West Integrated System) and a drive in workforce from Kalgoorlie. The ore from the site is from an open pit.

MINERAL RESOURCE STATEMENT

Table 1: Nickel Projects Mineral Resource Statement

Nickel Sulphide Resources	JORC Compliance	Cut Off Grade	Mineral Resource Category								
			Indicated			Inferred			TOTAL		
			Tonnes (Kt)	Ni% Grade	Ni Metal t	Tonnes (Kt)	Ni% Grade	Ni Metal t	Tonnes (Kt)	Ni% Grade	Ni Metal t
WINDARRA PROJECT											
Mt Windarra	2012	0.90%	922	1.56	14,000	3,436	1.66	57,500	4,358	1.64	71,500
South Windarra	2004	0.80%	772	0.98	8,000	-	-	-	772	0.98	8,000
Cerberus	2004	0.75%	2,773	1.25	35,000	1,778	1.91	34,000	4,551	1.51	69,000
BLACK SWAN PROJECT											
Black Swan	2012	0.40%	9,600	0.68	65,000	21,100	0.54	114,000	30,700	0.58	179,000
LAKE JOHNSTON PROJECT											
Maggie Hays	2012	0.80%	2,600	1.60	41,900	900	1.17	10,100	3,500	1.49	52,000
TOTAL											
Total Ni Resources	2004 & 2012		16,667	0.98	163,900	27,214	0.79	215,600	43,881	0.86	379,500

Note: totals may not sum exactly due to rounding

Table 2: Gold Tailings Project Mineral Resource Statement (Note: totals may not sum exactly due to rounding.)

Gold Tailings Resources	JORC Compliance	Cut Off Grade	Mineral Resource Category								
			Indicated			Inferred			TOTAL		
			Tonnes (Kt)	Grade (g/t)	Au (oz)	Tonnes (Kt)	Grade (g/t)	Au (oz)	Tonnes (Kt)	Grade (g/t)	Au (oz)
WINDARRA GOLD TAILINGS PROJECT											
Gold Tailings	2004	NA	11,000	0.52	183,000	-	-	-	11,000	0.52	183,000
TOTAL											
Total Au Resources	2004		11,000	0.52	183,000	-	-	-	11,000	0.52	183,000

ORE RESERVE STATEMENT

Table 3: Nickel Project Ore Reserve Statement (Note: totals may not sum exactly due to rounding)

Nickel Sulphide Reserves	JORC Compliance	Ore Reserve Category		
		Probable		
		Tonnes (Kt)	Ni% Grade	Ni Metal t
WINDARRA PROJECT				
Mt Windarra	2004	498	1.78	9,000
Cerberus	2004	1,221	1.30	16,000
BLACK SWAN PROJECT				
Black Swan	2012	3,370	0.63	21,500
TOTAL				
Total Ni Reserves	2004 & 2012	5,089	0.91	46,500

Notes

The information in this report that relates to the Windarra Nickel Project, Mineral Resources is based on information compiled by Neil Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists and Ian Glacken who is a full time employee of Optiro Pty Ltd and is a Fellow of the Australasian Institute of Mining and Metallurgy.

The information in this report that relates to Ore Reserves at the Windarra Nickel Project is based on information compiled by Denis Grubic, who is a Member of The Australasian Institute of Mining and Metallurgy as well as a full time employee of Rock Team Pty Ltd.

The information in this report which relates to the Lake Johnston Mineral Resource is based on information compiled by Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd. The information in this report which relates to the Black Swan Mineral Resource and Ore Reserves is based on information compiled by Andrew Weeks as well as Francois Bazin of IMC Mining Pty Ltd. Both are Members of the Australasian Institute of Mining and Metallurgy.

Mr Hutchison, Mr Glacken, Mr Weeks, Mr Bazin and Mr Grubic all have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code 2012). Mr Hutchison, Mr Glacken, Mr Weeks, Mr Bazin and Mr Grubic have consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

This document contains Mineral Resources and Ore Reserves which are reported under JORC 2004 Guidelines as there has been no Material Change or Re-estimation of the Mineral Resource or Ore Reserves since the introduction of the JORC 2012 Codes. Future estimations will be completed to JORC 2012 Guidelines.

The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

CORPORATE DIRECTORY**Director / Senior Management**

David Singleton	Managing Director & Chief Executive Officer
Chris Indermaur	Non-Executive Chairman
Geoff Brayshaw	Non-Executive Director
Robert Dennis	Non-Executive Director
Ross Kestel	Company Secretary

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Home Exchange

The Company's shares are listed on the Australian Securities Exchange and the home exchange is Perth ASX code: POS