

## Poseidon Completes Lake Johnston Purchase, Eyes Return to Production

### *Highlights*

- Lake Johnston purchase from Norilsk Nickel completed
- Plans to return Lake Johnston and Mt Windarra Nickel Projects to production within 6 months of final financing, followed by Black Swan
- Poseidon has increased its nickel portfolio from one to three projects in six months with acquisition of Black Swan and Lake Johnston
- Poseidon's resource base more than doubled to circa 380,000 tonnes nickel through recent acquisitions. Potential production output capacity also doubled
- Restart costs of \$11M\* estimated for Mt Windarra and \$12.8M\* for Black Swan, with Lake Johnston costs expected to be similar. Represents an A\$240M reduction from previous production start-up estimates. The Company has recently raised \$30M
- Lake Johnston DFS underway and due for completion in coming month
- The return to production of all three projects would give Poseidon the second largest sulphide nickel processing capacity in Australia.

**LAKE JOHNSTON MICROSITE AVAILABLE AT - <http://www.lakejohnstonupdate.com>**

*\*start-up capital excludes working capital and contingency*



***Lake Johnston processing plant***

Poseidon Nickel Limited (ASX:POS or the Company) is pleased to announce that it has completed the acquisition of the Lake Johnston Nickel Project ("Lake Johnston"). Poseidon is working on plans to return Lake Johnston and the Mt Windarra Nickel Project ("Mt Windarra") to production within six months of final financing and successful completion of the Lake Johnston DFS.

Poseidon agreed to acquire Lake Johnston from OJSC MMC Norilsk Nickel ("Norilsk") for a consideration of A\$1 million in September 2014. In addition, Poseidon agreed to buy the Black Swan Nickel Project ("Black Swan") from Norilsk for A\$1.5 million in July 2014. Black Swan is still the subject to certain conditions precedent. All three sulphide projects to be managed and operated by Poseidon are located within a 270km radius of Kalgoorlie.

The Lake Johnston and Black Swan Projects include mine and concentrator plant infrastructure, and proven resources. Norilsk acquired the projects in 2007 as part of its takeover of LionOre Mining International Ltd.

Poseidon estimates the cost of bringing the initial two assets into production at circa A\$24 million plus working capital with Black Swan, planned at this time to be funded from operational cashflow. The company is not planning any further equity raises related to the two initial assets. This initial capital required for the first production of nickel concentrate for Poseidon has been revised down from a previous estimate of A\$300 million to restart operations at Mt Windarra on a standalone basis. This much lower capital intensity, to bring Poseidon operations back into production is, in part, a result of the recently agreed offtake deal announced on 2<sup>nd</sup> October 2014. This has avoided the need for Poseidon to build a new concentrator plant and associated facilities. Poseidon's overall nickel production capacity is expected to be twice as high as original estimates (which were just for the Mt Windarra project.)

Last month, Poseidon completed an A\$30 million placement to fund the initial capital investment for the recommencement of production at Mt Windarra and Lake Johnston. A final decision of the recommencement of operations at Lake Johnston will follow completion of a Definitive Feasibility Study (DFS) currently underway on the Project.

The acquisition of Lake Johnston and Black Swan has more than doubled Poseidon's resource base to over 380,000 tonnes of nickel. The Lake Johnston processing plant has capacity of 1.5 Mtpa and the Black Swan nickel plant, which was upgraded in 2006, has proven throughput capacity of 2.15 Mtpa. The return to production of all three projects would give Poseidon the second largest nickel sulphide processing capacity in Australia.

Poseidon Chief Executive Officer David Singleton said, "Poseidon now has three high quality nickel assets and substantial processing infrastructure in near working order. We have a resource base that has more than doubled with the recent acquisitions of Lake Johnston and Black Swan. We can bring three projects into production within a relatively short timeframe, and within a manageable funding requirement."

"The Norilsk assets we are acquiring have had a substantial amount of capital spent on them and are in good operational condition and we currently have studies underway to finalise the exact costs and schedule to production. We now have a realistic and clear pathway to production, with profitable projects at current average nickel prices. It's a very exciting time in the life of the Company.

Our operations and geological teams are at Lake Johnston today taking over from the Norilsk team. Poseidon's immediate focus is to complete site work to support restart

activities. Our geological team will be focusing on resource development to support mining operations,” Mr Singleton added.



Location of nickel projects

### Lake Johnston

- Located ~440km east of Perth and 117km west of Norseman
- Includes the Maggie Hays and Emily Ann underground mines and a 1.5 Mtpa concentrator.
- The project has historically produced over 12,000 tonnes nickel per annum in a good quality smeltable concentrate. Last operational in 2013
- The process plant and mine have been maintained to a high standard and are believed to be in a near operational ready condition.
- Maggie Hays and Emily Ann's estimated Mineral Resource cannot be reproduced in this announcement until the resource has been updated to the JORC 2012 standard. Interested parties should refer to the company's previous announcement on 3<sup>rd</sup> September 2014.
- The Lake Johnston Nickel Project sits on a series of 11 mining leases, 10 exploration licences and one prospecting licence
- Poseidon plans to undertake a major new exploration programme on the tenements guided by the work undertaken to date with the objective of further extending the projects operational life.

## Mt Windarra

- Located 260 kilometres north east of Kalgoorlie
- Comprises Mt Windarra underground mine and Cerberus ore body and extensive above ground infrastructure.
- Mt Windarra Mineral Resource estimated to be 4.358mt @ 1.64% Ni for 71.5kt of contained nickel metal (using 0.9% cut-off grade). Cerberus Mineral Resource estimated to be 4.55mt @ 1.51% for 69.0kt of contained nickel (using a 0.75% cut off grade)
- Offtake Agreement signed on 2<sup>nd</sup> October 2014 to process 350,000 tpa – 500,000 tpa (or up to 700,000 tpa by agreement) of Mt Windarra ore and to purchase all of the concentrate produced under the agreement.
- Mt Windarra project also includes a 4.36 million tonnes of gold tailings capable of being reprocessed by CIL.
- Estimated cost to restart the project A\$11 million (excluding working capital and contingency)

## Black Swan

- Located ~600km east of Perth, 50km northeast of Kalgoorlie, and 300km south of Mt Windarra.
- Includes the Black Swan open pit mine, the Silver Swan high-grade underground mine, the Black Swan sulphide concentrator (2.15 Mtpa) and supporting infrastructure.
- Current resource life is over 10 years
- The concentrator was upgraded and commissioned in 2007
- The Black Swan deposit has a Mineral Resource of approximately 30.7 million tonnes at 0.58% for 179,000 contained metal tonnes (at 0.4% nickel cut-off grade).
- Project was last operational in 2009
- Project acquisition nearing completion
- Estimated cost to restart the project A\$12.8 million (excluding working capital and contingency)



- |  |                             |
|--|-----------------------------|
| 1. 3-stage crushing circuit                  | 4. Maggie Hays decline      |
| 2. Primary mill and concentrate storage shed | 5. Grinding mill            |
| 3. Concentrate regrind circuit               | 6. Tailing storage facility |

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**MINERAL RESOURCE STATEMENT**

*Note: totals may not sum exactly due to rounding.*

**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
<b>WINDARRA PROJECT</b>											
Mt Windarra	2012	0.90%	922	1.56	14,500	3,436	1.66	57,000	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
<b>BLACK SWAN PROJECT</b>											
Black Swan	2012	0.40%	9,600	0.68	65,000	21,100	0.54	114,000	30,700	0.58	179,000
<b>TOTAL</b>											
Total Ni Resources	2004 & 2012		14,067	0.87	122,500	26,314	0.78	205,000	40,381	0.81	327,500

**Table 2: Gold Tailings Project Mineral Resource Statement**

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)
<b>WINDARRA GOLD TAILINGS PROJECT</b>											
Gold Tailings	2004	NA	11,000	0.52	183,000	-	-	-	11,000	0.52	183,000
<b>TOTAL</b>											
Total Au Resources	2004		11,000	0.52	183,000	-	-	-	11,000	0.52	183,000

**ORE RESERVE STATEMENT**

*Note: totals may not sum exactly due to rounding.*

**Table 3: Nickel Project Ore Reserve Statement**

Nickel Sulphide Reserves	JORC Compliance	Ore Reserve Category		
		Probable		
		Tonnes (Kt)	Ni% Grade	Ni Metal t
<b>WINDARRA PROJECT</b>				
Mt Windarra	2004	498	1.78	9,000
Cerberus	2004	1,221	1.30	16,000
<b>BLACK SWAN PROJECT</b>				
Black Swan	2012	3,370	0.63	21,500
<b>TOTAL</b>				
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 Black Swan Mineral Resource and Ore Reserves is based on information compiled by Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd and Francois Bazin of IMC Mining Pty Ltd who are both 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