



Poseidon Nickel

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Poseidon Nickel set to boost Indicated Resource at Lake Johnston

Poseidon Nickel (ASX:POS) continues to advance at speed its near term production project Lake Johnston, with a major geological work program underway targeting a substantial increase in Indicated Resources.

Costs to re-start production are very low, with capital cost for plant and infrastructure refurbishment to operating condition estimated at A\$6.8 million.

Around 100 additional underground drill holes have been added into the resource database, with 27 underground drill holes with incomplete data currently being reassayed.

Geological face mapping from lateral drives into the North Shoot zone are being included into the resource database.

Poseidon said that survey errors on drill holes have been identified and corrected, with the new resource model expected to be completed within four weeks.

David Singleton, managing director and CEO, commented: "We have committed to completing a full DFS on Lake Johnston and much of that was published in December last year.

"The key now is the resource and reserve modelling which is well underway. Whilst we can't yet comment on the likely outcome, things are moving very positively."

Next steps; activity ramp-up

Poseidon is already ramping up activity to undertake mine planning work based on the anticipated new resource model.

This includes concentrate processing facilities having been recommissioned with saleable concentrate is now being processed.

The company has also received offers for nickel concentrate offtake for Lake Johnston and is in discussion with various parties.

Current resources at Lake Johnston

The initial resource is 3.8 million tonnes at 1.41% nickel, or 53,100 tonnes of contained nickel, at the Maggie Hays deposit.

Currently just over half the tonnes are in the Indicated category (2 million tonnes at 1.40% nickel), with the remaining in Inferred (1.8 million at 1.43% nickel).

Mine Planning and Scheduling

Poseidon's aim is to produce a new updated mine plan for Lake Johnston within the next 3 months using the revised resource model currently under development.

Price: A\$0.12

Market Cap: A\$82.031M

1 Year Share Price Graph



Share Information

Code: POS

Listing: ASX

Sector: General Mining

Website: www.poseidon-nickel.com.au

Company Synopsis:

Poseidon Nickel (ASX:POS) is a nickel sulphide exploration and development company which is developing the Windarra Nickel Project and will acquire the Black Swan Nickel Project.

Author:

Proactive Investors +61 2 9299 5001

action@proactiveinvestors.com.au



This modelling aided by the knowledge of recent mine activities should allow for an accurate prediction of the current mine life (excluding further drilling activities), throughput levels and costs of production.

Poseidon expects shortly to announce a new General Manager for Lake Johnston to lead this activity.

Initial mine surveys and geotechnical assessments necessary for the mine planning have already been completed.

Poseidon believes that there are potential opportunities to modify the mining methodologies used at Lake Johnston to improve ore recovery levels, particularly in the Suture Zone and the North Shoot.

If proven, this could add several years to the initial project life.

Analysis

Lake Johnston is considered to be a near-term production project, with relatively straight forward restart requirements given that it was operating up to April 2013 and has been actively cared for and maintained since closure.

All-in sustaining operating costs are projected to be A\$6.70 per pound, which compares favourably with the current nickel price of A\$8.40 per pound.

Poseidon is already ramping up activity to undertake mine planning work based on the anticipated new resource model, which shows confidence.

Lake Johnston is planned as the company's second production project in 2015 after initial ore sales are achieved from the Windarra Project.

Its relatively low costs will be financed from a combination of existing cash, sales revenue from Windarra and potentially with some debt for working capital purposes.

Poseidon plans to move these projects and Black Swan into production which will give the company the second largest sulphide nickel processing capacity in Australia.

Near-term catalysts

- New Lake Johnston resource model in four weeks, which is expected to deliver a significant increase in the Indicated Resource.

- Potential finalisation of nickel concentrate offtake for Lake Johnston, with Poseidon having already received offers and is in discussion with various parties.

Proactive Investors maintains its 12 month price target for Poseidon Nickel of \$0.40 - \$0.52.

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