POSEIDONNICKEL

QUARTERLY REPORT

30 JUNE 2015

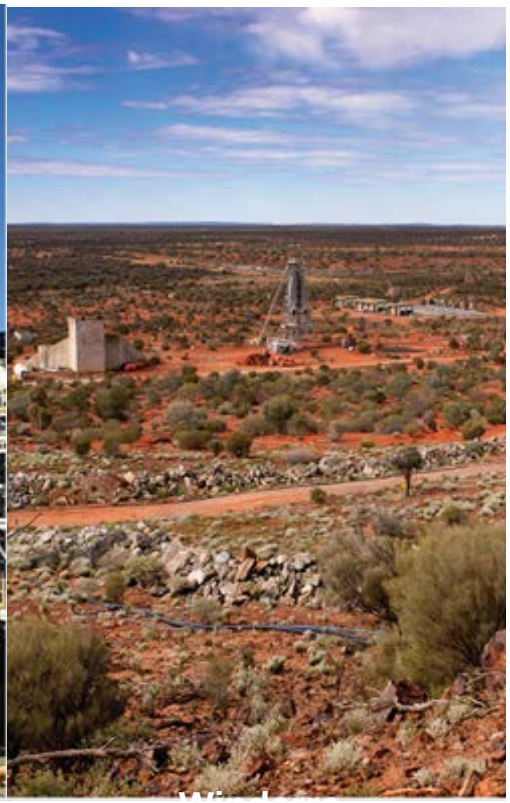
COMPANY OVERVIEW

Poseidon Nickel Limited is a nickel sulphide development company with 3 near operational projects located within a radius of 300km from Kalgoorlie in the Goldfields region of Western Australia.

Poseidon's strategy is focussed on the recommencement of operations at established nickel producers in Australia where project risk capital and operating costs are low. A critical element of this strategy is to acquire projects with high levels of geological prospectivity likely to lead to a substantial extension of the projects life through the application of modern nickel exploration techniques. These exploration techniques have been proven repeatedly at Poseidon as well as several other well-known nickel producers in Australia.

Poseidon now owns Lake Johnston and Black Swan, each incorporating a large concentrator of their own, together with the Windarra Nickel Project which will produce ore to be processed at the Black Swan concentrator.

ASX Code: POS



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COMPANY MILESTONES

- **Lake Johnston Bankable Feasibility Study completed well ahead of schedule**
- **Offtake and Financing Agreement well advanced with due diligence completed.**
- **Sale of 4,000 tonnes of concentrate to Tsingshan Iron & Steel**
- **Approval for Windarra processing at Black Swan initiated with the Minister for State Development**
- **Nickel market the driver of timing of project restart**
- **Binding agreement with Caeneus Minerals to mine Silver Swan underground**

OVERVIEW

Poseidon has now completed a large number of activities focused on restarting full production at Lake Johnston and is confident that taking into account licencing issues, above and below ground technical requirements, recruitment and offtake that it is now in a position to initiate operations at the site (a full overview of activities undertaken is listed below). In addition, Poseidon is at a very advanced stage of discussions with offtake parties for a combined offtake and funding agreement that would complete the necessary financial investment for Lake Johnston to restart activities.

Poseidon believes that this funding will be completed subject only to a recovery in the nickel price above US$6.50/lb which is considered an economic level under the current circumstances.

In the short term whilst commodity markets stabilise, Poseidon will reduce operating expenditure, which was running at a high level due to the activities on site, and complete contractual negotiations currently underway for the underground mining contract and tailings dam expansion.

Activities Completed in the last Quarter

During the past quarter, Poseidon has completed the final Bankable Feasibility Study ("BFS") for Lake Johnston several months ahead of schedule which has enabled the Company to engage with a number of financiers with regards to putting in place the debt funding required to restart the project.

This major milestone has been made possible following a number of key project achievements since the acquisition of Lake Johnston, these being:

- Bankable Feasibility Study completed by Simulus Engineers in May 2015
  - Geotechnical audit of underground mining operations review completed and integrated into mining schedule
  - Environmental, native title and Aboriginal heritage assessment completed, all requirements in place
  - Hydrology review completed and Hydrology Operating Strategy completed
  - Mine closure plan and costs reviewed and updated

- Organisational structure in place
- Integrated project restart schedule completed
- Commissioning report completed
- Project risk assessment undertaken
- Mining production schedule and costs completed
- Asset valuation and review including warehouse holdings and workshop assessment completed

- Site refurbishment initiated
  - Refurbishment of the 3-stage crushing circuit underway using existing site maintenance resources and a trial ore package to be crushed before moving onto the grinding and flotation circuits
  - Filtration circuit refurbishment complete
- Nickel concentrate at an estimated sales value of c.A$2.3 million identified by Poseidon in the process water pond has been reclaimed, filtered and sold to off-take partner Tsingshan Iron & Steel for early cash flow. Most of the concentrate has now been recovered and associated activities other than shipping will now cease Lake Johnston asset sales agreement executed, plant and tenure secured and in good standing
- All major regulatory approvals in place to allow mine recommencement
  - Project Implementation Plan for refurbishment of Lake Johnson completed
  - Project Management Plan lodged with Department of Minerals and Petroleum, other safety plans recovered and integrated into the Poseidon system
  - Key stakeholders engagement underway including with Western Australian Government Departments, Shire of Dundas, Shire of Esperance, Southern Port Authority (Esperance Port), the Ngadju people, Chamber of Commerce (Esperance)
- Resource update and exploration program initiated by Poseidon on purchase;
  - JORC 2012 compliant Maggie Hays Mineral Resource Estimate. A large proportion of the North Shoot lifted into Indicated Resources (from Inferred) after incorporation of recent additional drill holes and face mapping data
  - JORC 2012 compliant Maggie Hays Ore Reserve estimate update completed
  - Geochemical analysis using Leapfrog software applied to drilling database resulting in the identification of high value exploration targets
- Initial Maggie Hays Probable Ore Reserve:
  - 1.9 million tonnes @ 1.19% Ni for 22,600 tonnes contained nickel
- Maggie Hays Ore Reserve represents an initial 30 months of plant throughput producing 8,000 tonnes of nickel per annum in a smeltable grade concentrate
- Upgraded Mt Windarra Probable Ore Reserve:
  - 0.57 million tonnes @ 1.70% Ni for 9,630 tonnes contained nickel
- Major contracts tendering initiated
  - Tailings storage facility 2 (TSF2) four metre lift Works Approval Amendment approved and tenders issued, received and assessed
  - Contract mining tender documentation issued with 2nd stage responses received
  - Village and catering contract tender documents in final preparation to issue to market
  - Transport, supply and sales logistics tenders issued with final contracts being negotiated

- Lake Johnston capital costs, operating costs and economic modelling completed
- General Manager Lake Johnston Operations employed to accelerate refurbishment work and preparation for rapid operational restart
- General Manager of People and Culture employed and recruitment process underway for key LJO team members including General Manager OHS&E, warehouse / supply / purchasing officers and maintenance planners

LAKE JOHNSTON PROJECT UPDATE

During May, Simulus Engineers completed the BFS for the Lake Johnston Nickel Project several months ahead of schedule. The study confirms that the operations can be brought back into operation in circa 4 months, at a low level of capital investment (see Restart Capital Costs section) and that no regulatory or technical barriers exist.

Lake Johnston was in full scale operations only 2 years ago so the purpose of the study was to confirm the necessary steps required to restart mining and processing and to confirm the required capital and operating costs. The study also presented Poseidon with the opportunity to plan a number of operating improvements to the site primarily to reduce costs and to improve ore extraction rates.

The study was initiated immediately after the project was acquired in November 2014 and included a major re-analysis of the resource model, a re-design of the mining methodologies used for the ore body and an analysis of the necessary work required to restart the concentrator plant. The resource model work, combined with the revised mining methods, has materially increased the initial project life and ore throughput rates.

Poseidon also owns the Black Swan Nickel Project which includes 1.7 million tonnes of mined but unprocessed ore Reserves which Poseidon is planning to progressively transport and process at Lake Johnston. The 1.5 million tonne per annum processing plant capacity at Lake Johnston is able to process a combined feed from both sites with an average throughput planned of 1.13 million tonnes of ore per annum.


Maggie Hays Portal


Lake Johnston Processing Plant


Lake Johnston Operation


Windy Hill Camp

<u>Restart Capital Costs</u>

The Lake Johnston project was in full operating mode up until April 2013 and was put into good quality care and maintenance by the then owner. Only minor deterioration of the plant is evident and the concentrate filtration circuit, crushing plant and main grinding mill have recently been restarted and functioned.

Processing of 2,000 tonnes of saleable concentrate through the filtration circuit has also been completed and it is intended to crush 10,000 tonnes of waste rock through the crushing plant to test this facility under full load. These activities give added confidence to the capital estimates in these process plant areas.

A full geotechnical report of the underground mine has been completed and only relatively minor refurbishment work of corroded reinforcing mesh and bolts in certain areas of the

development will be necessary. Dewatering, power, ventilation, communications and refuge facilities remain in place and in good working order.

The tailings facility requires an increase in capacity by increasing the height of the dam walls. The licence for this has been approved by the Department of Mines and Petroleum. Tenders have been released and Poseidon expects to place a formal contract for the works in the near future.

The onsite communication and IT facilities have undergone a significant refurbishment and repair programme and only minor additional essential works are necessary.

The Windy Hill accommodation camp at Lake Johnston has undergone partial refurbishment and is currently being used by onsite personnel. The camp has 277 existing rooms although only approximately 180 are envisaged to be required. Some further minor refurbishment will be undertaken.

The overall capital needs of the project have been estimated by independent third parties as follows:

Item	Cost (A$)
Lake Johnston infrastructure / project management	1,148,997
Lake Johnston camp mobilisation, I.T. and communications	479,311
Maggie Hays mine capital costs – refurbishment and development. Underground refurbishment to meshing etc.	6,812,534
Concentrator plant refurbishment	2,947,728
Tailings wall lift dam	1,539,846
First fills and restocking	618,101
Additional infrastructure contingency	407,710
Total pre-production capital requirements	**13,954,226**

Operating Costs

A full operating cost budget for the project has been developed using independently derived estimates which have also been benchmarked against previous actual costs where possible. The projected operating cost budget is as follows:

Operating costs	Units	Lake Johnston
Mining & Geology	A$ / t	49.97
Processing	A$ / t	27.25
Concentrate transport	A$ / t	2.03
Administration	A$ / t	6.28
Total	**A$ / t**	**85.53**

Operating costs	Units	Lake Johnston
Mining & Geology	US$ / lb	1.94
Processing	US$ / lb	1.06
Concentrate transport	US$ / lb	0.08
Administration	US$ / lb	0.24
By-product credits	US$ / lb	(0.12)
Royalties	US$ / lb	0.23
Total C1 Cost	**US$ / lb**	**3.43**

These figures translate into a project operating cost of:

All in sustaining cost *[1] of US$5.39/lb
C1 Cash Cost of *[2] of US$3.43/lb
C1 payable cash cost *[3] of US4.89/lb

*[1] includes by-product credits, royalties, project overheads and transport within WA on a payable basis
*[2] as above but excluding project overheads
*[3] as *[2] on a payable basis

Implementation Schedule

The project implementation plan has predicted that start-up will take 120 days (4 months) from the point of initiation after financing, with the long lead being the start-up of the main mill after full electrical generating power has been re-established. As reported above, various elements of this work have already been undertaken including re-establishment of IT infrastructure, operations of the filtration and crushing circuit, main mill operations, etc.

LAKE JOHNSTON EXPLORATION

Maggie Hays

The Maggie Hays deposit is about 1.4 km in length down to a maximum depth of about 400 metres. The deposit contains four distinct mineralised domains:

1. Lower Massive Sulphide;
2. Main Zone, disseminated sulphide;
3. Maggie Hays North, massive and stringer sulphides; and
4. Maggie Hays South, disseminated sulphides (see Figure 2)

The Main Zone of disseminated mineralisation is up to 40 metres thick and is stratigraphically underlain by a massive sulphide zone up to 9 metres thick. The disseminated mineralisation typically contains 15% to 20% sulphides while the Lower Massive Sulphide mineralisation contains around 80% sulphides.

The Maggie Hays North Zone comprises stringer and massive sulphides which are hosted by felsic volcanics and immediately adjoin the Main Zone massive sulphides to the south. The mineralisation is typically between 1 and 3 metres thick and is controlled by a shear zone which dips 60° to the east. The mineralised zone is considered to have been structurally remobilised from the main massive sulphide zone.

Potential exists to further extend the mining operations at Maggie Hays as shown on Figure 1 with the aim of increasing the known mine life immediately adjacent to and accessible from the existing underground decline. To do this an infill drilling program has been planned to define the thicker, near mine portion of the currently identified mineralisation with the intent of potentially adding this material to the mining inventory.

In addition mineralisation has been defined to the west of the sub-level cave (SLC) and will undergo further drilling to define the economic potential of this near mine zone. The Western Zone sits within the footwall banded-iron formation (BIF) and has been structurally remobilised along a fault/thrust structure. This has larger ramifications as it potentially opens up a number of new untested structurally remobilised targets for nickel sulphide deposits within the immediate Maggie Hays area. These areas will be progressively modelled and tested with drilling and down-hole electro magnetics (DHEM).

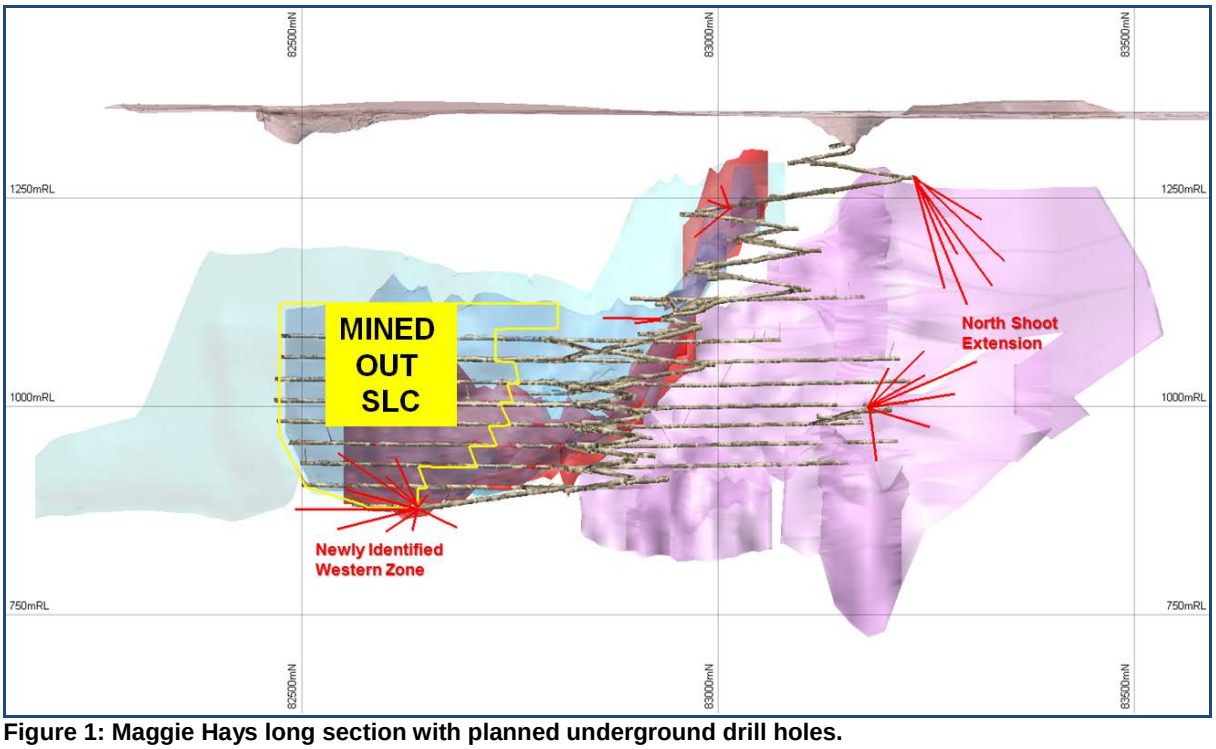


Figure 1: Maggie Hays long section with planned underground drill holes.

Maggie Hays South

Maggie Hays South is a separate zone of disseminated mineralisation which extends southwards approximately 1km from the Maggie Hays sub-level cave (SLC) up to the surface (Figure 2). It incorporates the original discovery zone that led to the Maggie Hays ore body.

Maggie Hays South is showing potential for future production opportunities and would require minimal development due to its proximity of the existing Maggie Hays Mine. Drilling from surface and potentially from underground will be completed to further develop and evaluate the near mine economic potential of this zone.

Emily Ann

The Emily Ann ore body was a high grade (circa 4%) ore body mined from 2006 which was thought to terminate along the Toolangi Fault (Figure 4). Norilsk Nickel was developing access to an identified extension to this ore body although the work was terminated in 2009 when the site was closed during the financial crisis. This ore body was designated Emily Ann North.

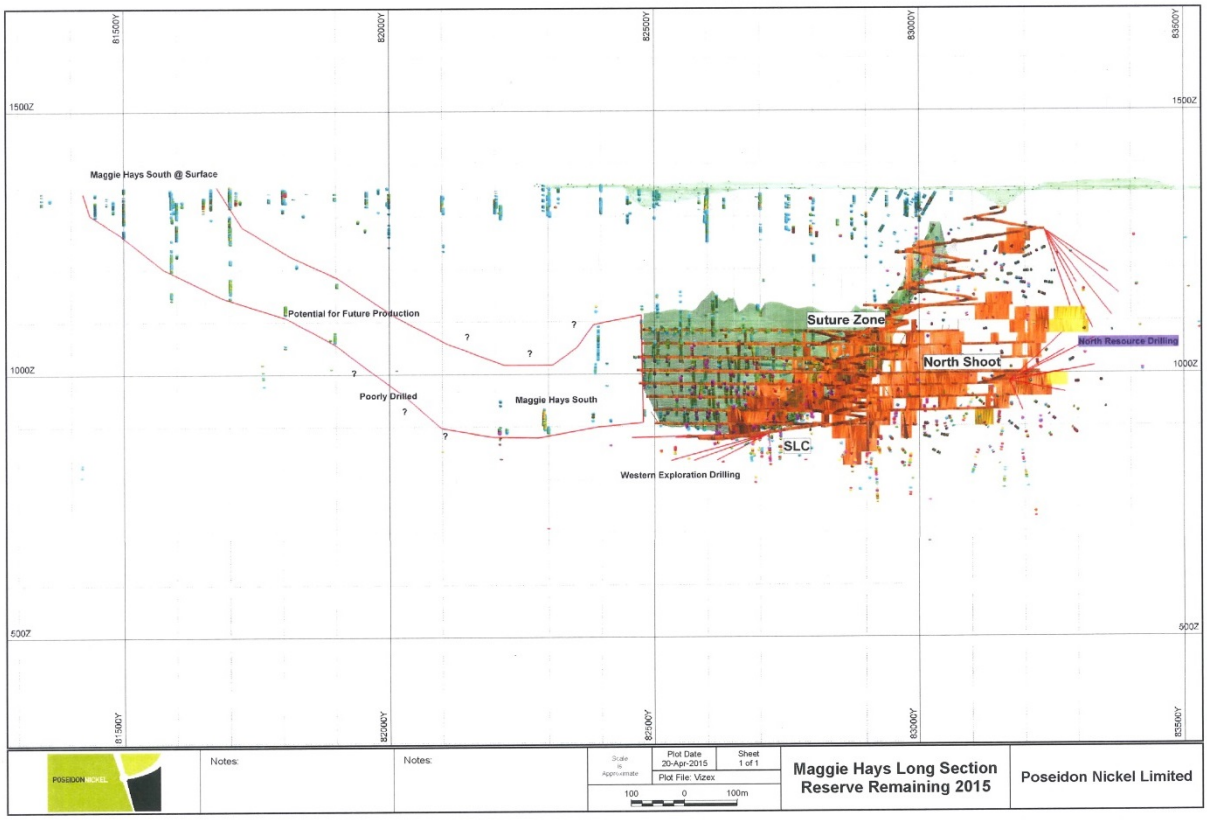


Figure 2: Maggie Hays long section with prospective Maggie Hays South mineralised corridor

Source: Poseidon

Emily Ann North

Emily Ann North (EAN) is situated approximately 150m north of the Emily Ann mine. Norilsk Nickel estimated a non-JORC compliant resource which contained approximately 14Kt of nickel at a grade of 4.2% nickel.

EAN averages 1 to 1½m in thickness and forms a flat lying domal lense of nickel sulphide mineralisation. Poseidon's geologists interpret EAN to be structurally remobilised sulphides (similar to North Shoot at Maggie Hays) which are emplaced along a thrust fault surface similar to the Western Areas' Flying Fox mineralisation in between the primary T1-T5 ore bodies (highlighted by the red circle on Figure 3).

An economic evaluation of the deposit including a mine design for Emily Ann North was completed by the previous owner and, as a result, they began development towards the ore body. The owner successfully developed two access drives through the Toolangi Fault Zone

to within 75m of the mineralisation (Figure 4). Development was halted during the 2009 financial crisis and the mine was allowed to flood. To regain access to the upper Emily Ann development drive, dewatering to a depth of 260m below surface is required. Resource modelling and economic evaluation of the mining potential of Emily Ann will be commencing shortly.

Poseidon is currently working in conjunction with Newexco Geological Consultants to re-interpret the structural model and emplacement / source of the nickel sulphide mineralisation in the Emily Ann area. This work has changed the geological model and previous understanding of the Emily Ann mineralisation and new structural repeat targets are emerging with the potential for "Flying Fox" style offsets to occur. Emily Ann resource was high grade (3.97% nickel) so repeats or offsets to this mineralisation will be aggressively targeted and tested with DHEM as it will have the potential to significantly increase the mine life of Lake Johnston.

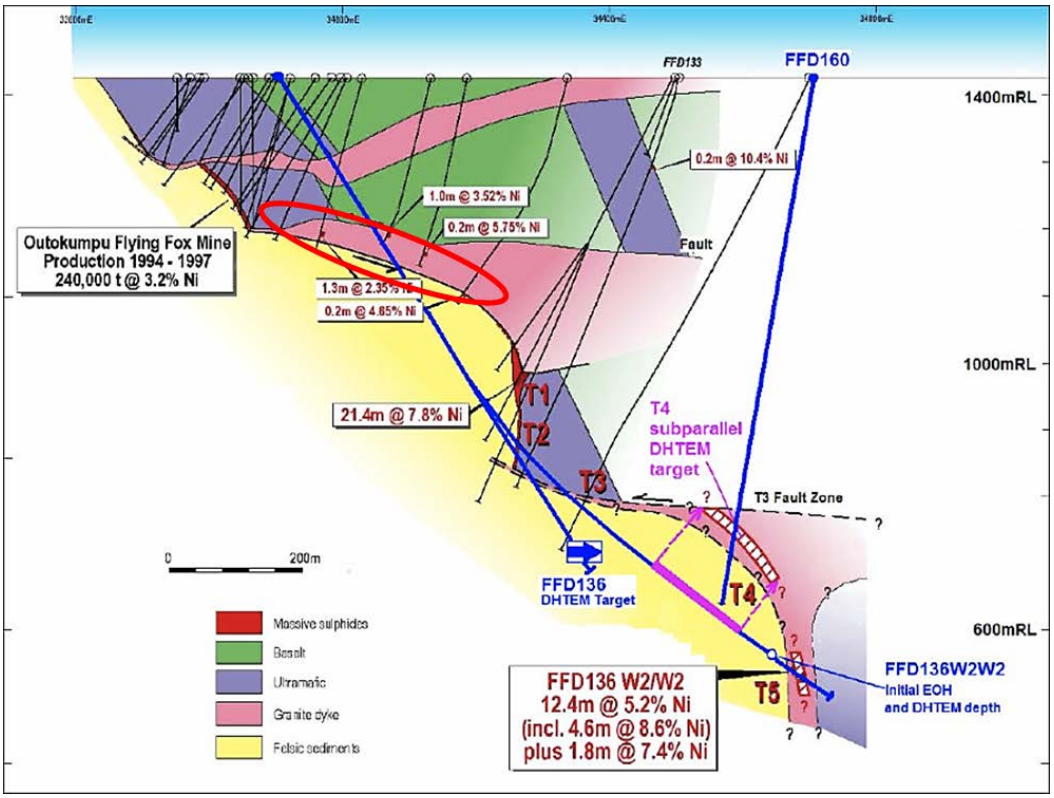


Figure 3: Western Areas Flying Fox Mine cross section showing mineralisation along faulted thrust surfaces leading to deeper offset nickel deposits. *Source: Western Areas, Newexco*

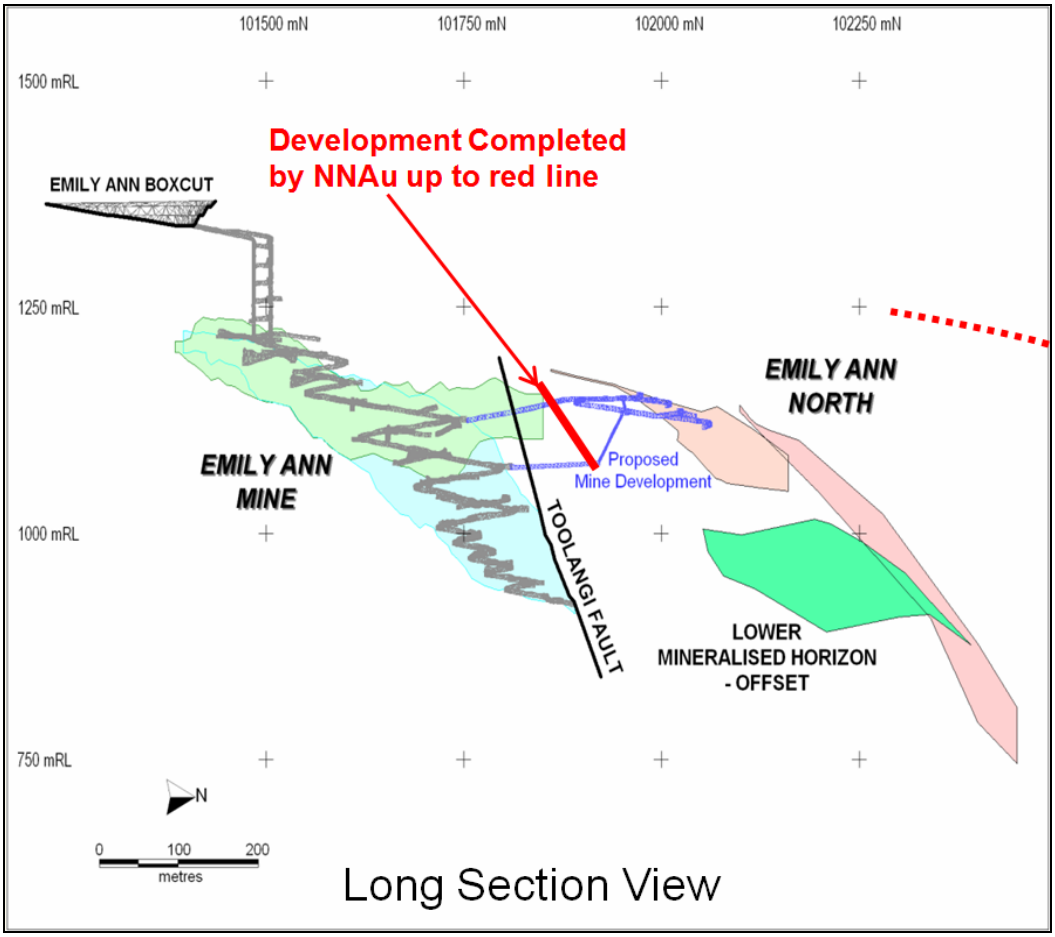


Figure 4: Emily Ann Mine long section with existing development and planned developed into the upper zone of the Emily Ann North deposit. *Source: Norilsk Nickel*

Maggie Hays Mineral Resources Estimation

An updated Mineral Resource Estimate (Table 1) of Maggie Hays has been completed by Golder for Poseidon, which uses all available assay data as of 6 February 2015. This follows on from the November 2014 resource estimate which was also completed by Golder.

The latest update is based on new data and a geological review of the Maggie Hays deposit which was undertaken after the formal acquisition of the LJO. As a result of the work completed, a much higher proportion of the mineralisation is in the JORC Code (2012) Indicated category, rather than the lower confidence Inferred category. Approximately 80% of the currently drilled resource is now in this Indicated category. This improvement is a key step in the initial definition of the likely project life by increasing confidence in the shape, grade and position of the mineralisation to be mined. The results of this resource work have been used to develop the mine schedule and Ore Reserve estimation which has been completed and is summarised below.

Table 1: Maggie Hays Mineral Resource at 0.8% Ni cut-off grade

Source	Indicated			Inferred			Total		
	Mt	**Ni %**	**Ni Kt**	**Mt**	**Ni %**	**Ni Kt**	**Mt**	**Ni %**	**Ni Kt**
North Shoot	0.8	1.86	14.7	0.4	1.31	5.9	1.2	1.66	20.6
SLC Disseminated	0.1	1.36	0.8	0.4	1.02	4.2	0.5	1.06	5.0
SLC Massive	0.1	3.82	3.8	-	-	-	0.1	3.82	3.8
Suture Zone Disseminated	1.5	1.13	16.9	-	-	-	1.5	1.13	16.9
Suture Zone Massive	0.2	3.27	5.7	-	-	-	0.2	3.27	5.7
Total resources	**2.6**	**1.60**	**41.9**	**0.9**	**1.17**	**10.1**	**3.5**	**1.49**	**52.0**

Source: Poseidon, Golder & Assoc.

The updated Mineral Resource estimate was classified in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition). The highlights being:

- A 50% increase in Indicated Resources at the Maggie Hays deposit compared to the November update following extensive geological work

Maggie Hays Ore Reserve Estimation

The Maggie Hays Nickel Mine (Maggie Hays) is an underground mine located within the Lake Johnston Nickel Operation (LJO), which was purchased by Poseidon Nickel Ltd (POS) in November 2014.

Entech Pty Ltd (Entech) was commissioned by Poseidon Nickel Ltd (POS) to provide an independent Ore Reserve estimate for the Maggie Hays underground nickel mine as at 31 April 2015.

The Ore Reserve estimate is based on a JORC (2012)-compliant Mineral Resource estimate. The Resource estimate was carried out by Golder Associates for the Maggie Hays mine in March 2015 as summarised in Table 1.

Poseidon has been able to complete the Maggie Hays Ore Reserve definition work within seven months of completion of the purchase of the Lake Johnston Project. The reserve has been the culmination of geological re-interpretation, resource estimation, detailed mining & engineering studies, contract pricing, plant refurbishment pricing and the completion of the BFS.

The Bankable Feasibility Study on the Maggie Hays project announced by Poseidon on 18th May 2015 is based on processing a combined feed from both Maggie Hays and Black Swan sites with an average throughput plan of 1.13 million tonnes of ore per annum through the 1.5 million tonne per annum processing plant capacity at Lake Johnston.

This Ore Reserve Estimation is in line with that used in the Bankable Feasibility Study published in May. A substantial initial mining Probable Ore Reserve for Maggie Hays of **1.9mt of ore @ 1.19% Ni for 22,600 tonnes of contained nickel** has been independently defined by Entech Pty Ltd, mining engineering and management consultants (Table 2).

The work included estimating Underground Ore Reserves in compliance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code).

Table 2: Maggie Hays Nickel Mine Ore Reserve Estimate April 2015

Source	Proven		Probable		Total		Nickel Metal (kt)
	Mt	% Ni	Mt	% Ni	Mt	% Ni	
North Shoot	-	-	0.7	1.27	0.7	1.27	7.6
Suture	-	-	0.6	1.22	0.6	1.22	8.6
SLC	-	-	0.6	1.07	0.6	1.07	6.5
Total Maggie Hays	**-**	**-**	**1.9**	**1.19**	**1.9**	**1.19**	**22.6**

Calculations have been rounded to the nearest 100,000 t of ore, 0.01 % Ni grade and 100 t Ni metal

The calculation of a Probable Ore Reserve follows the completion of the Projects Bankable Feasibility Study (BFS) which was completed by Entech based on a JORC 2012 compliant Mineral Resource of **2.6mt @ 1.60% Ni for 41,900 tonnes of contained nickel** (Indicated category only) which was completed by Golder Associates and previously announced.

All ore will be extracted using mechanised underground mining techniques. Development will be undertaken using mechanised jumbo drills for drilling and ground support installation. Diesel underground loaders and trucks will be used for material movement. Stope ore will be extracted by reactivating the existing sub-level cave, supplemented with separate areas of longhole stoping using unconsolidated backfill. Concurrent mining fronts will be established through the use of cemented aggregate fill and in-situ sill pillars (Figure 5 & 6).

A processing plant has been successfully operated on the Lake Johnston Project site since 1998 with the commissioning of the original Lake Johnston (Emily Ann) Nickel Concentrator. There have been a number of expansions since then. The most recent was a major expansion in 2006 to process 1.5 Mtpa of Maggie Hays underground ores. The plant underwent an A$7M refurbishment in 2011 before being recommissioned in the last quarter of that year. It then operated until April 2013. Metallurgical recoveries were based on historical production data from the Lake Johnston processing plant and are variable dependent on grade.

The Ore Reserve estimate is based on the above modifying factors determined as part of a Feasibility Study undertaken on the LJO. This Ore Reserve estimate represents the unmined Mineral Resource, with modifying cost and mining factors applied.

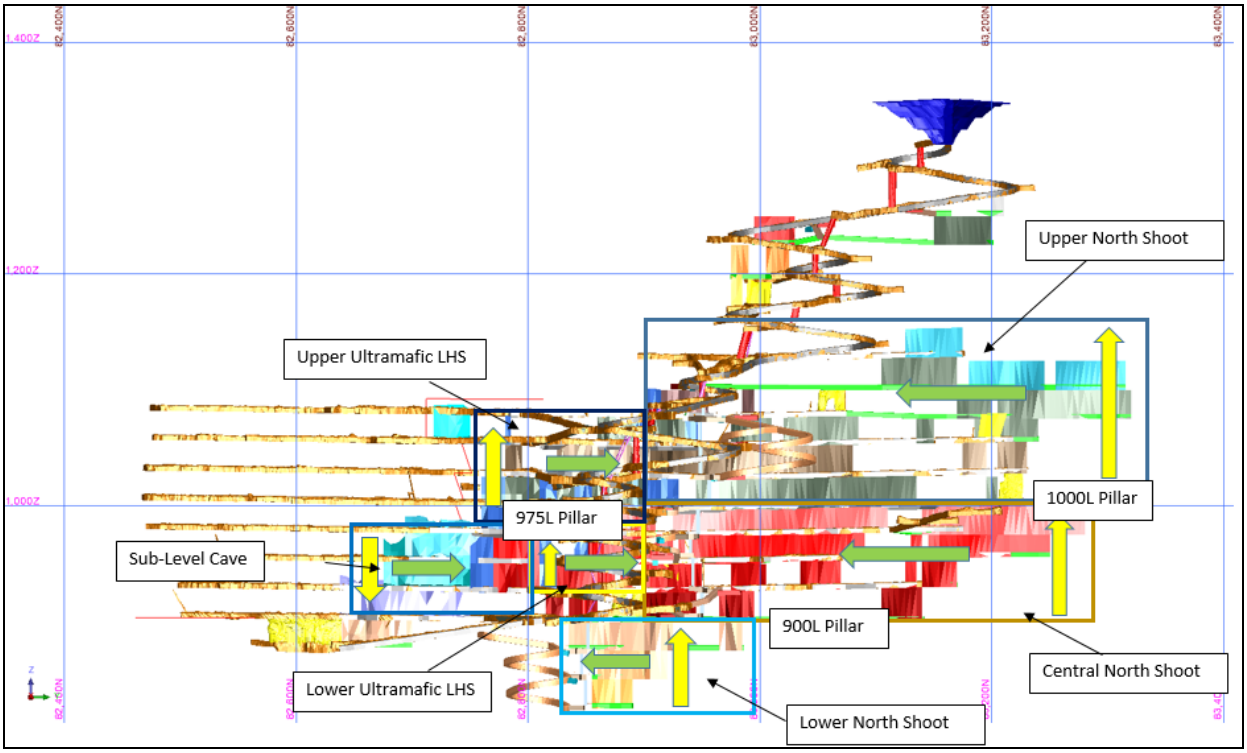


Figure 5: Maggie Hays Stope Design, Mining Areas and Stoping Directions (Long-Section)

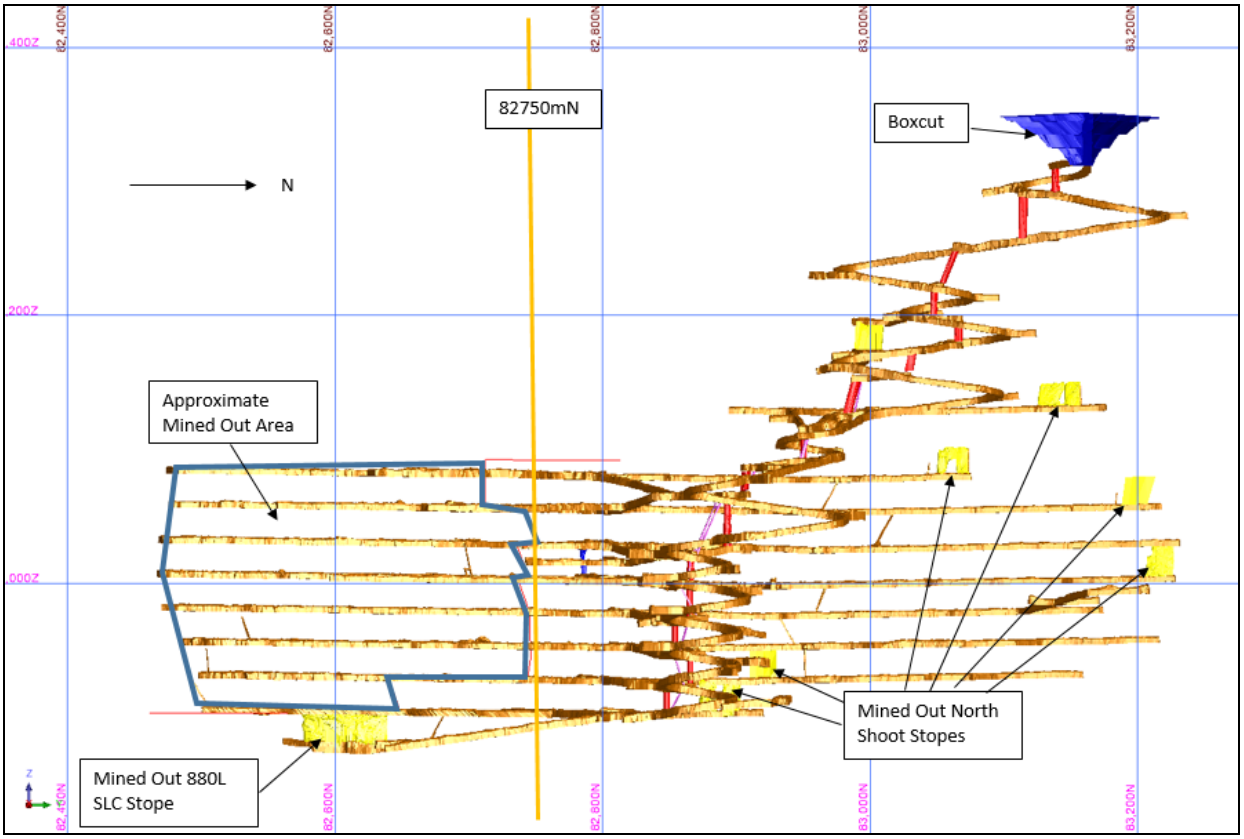


Figure 6: Maggie Hays Existing Development and Depleted Areas (Long-Section)

WINDARRA NICKEL PROJECT & BLACK SWAN UPDATE

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 has lapsed 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.

Poseidon also announced that it has entered into an agreement to sell a contractual right to mine its Silver Swan underground mine located on the Black Swan tenements to Caeneus Minerals (“Caeneus”). The Silver Swan mine was not proposed to be developed by Poseidon under its current plans due to its depth and complexity. The agreement provides Poseidon with a cash and scrip income and importantly significantly reduces its overhead costs for Black Swan through a cost sharing agreement. This arrangement could save up to $300k per month for Poseidon and is backdated to 1st April 2015. In addition Poseidon and Caeneus intend to enter into an offtake agreement for the ore which Poseidon will process either through its Lake Johnston or Black Swan concentrator plants after they are re-commissioned.

Poseidon is primarily focussed on the Black Swan open pit mine, located on the same tenements, which has a long potential mine life, with the ore to be treated through a refurbished Black Swan concentrator plant. Poseidon has recently announced its intention to transport stockpiled ore from Black Swan (which is not part of this agreement) to be processed at Lake Johnston until such a time as the Black Swan concentrator is restarted.

Under the Agreement, Caeneus will acquire a beneficial interest in tenement ML 27/200, which contains the Silver Swan underground nickel mine and has been granted a right to

mine, remove and sell nickel ore above a grade of 2% as well as to undertake exploration for nickel from the existing underground decline below a depth of 100m. Poseidon will also grant Caeneus a licence to enter the tenements and the right to utilise specified existing surface infrastructure to facilitate underground mining operations.

The Agreement, which remains subject to completion of due diligence and Caeneus shareholder approval, allows Poseidon to continue to focus on the broader redevelopment of the Windarra and Black Swan Nickel Operations which includes the Black Swan open pit mine and 2.2Mtpa concentrator.

The consideration payable by the Company to Poseidon Nickel Limited for the Acquisition is:

- A deposit of $150,000 plus GST being settled via the issue of 10,714,286 fully paid ordinary shares in the Company valued at $0.014 at 10 April 2015 plus cash of $15,000 being the GST component;
- A cash completion payment of $1,350,000 plus GST on or before 1 August 2015; and
- Reimbursement of care and maintenance costs from 1 April 2015 to 1 August 2015 estimated at $1.2m and continuing thereafter.

Mt Windarra Ore Reserve Estimation

The Mt Windarra Mine (Windarra) is an underground mine located located 260km north east of Kalgoorlie and 25km northwest of Laverton in Western Australia, The Windarra Nickel Project (WNP) is 100% owned by Poseidon Nickel (POS) and was purchased in 2006.

An updated Ore Reserve Estimation for the Mt Windarra underground nickel mining project further underpins the Company's original project which is anticipated to be brought into production following the restart of the Lake Johnston operation. An increased mining Probable Ore Reserve for Mt Windarra of **0.567 million tonnes @ 1.70% Ni for 9,630 tonnes contained nickel** has been independently defined by Optiro Pty Ltd, mining engineers and geological consultants (Table 3).

The work included estimating Underground Ore Reserves in compliance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code).

Table 3: Mt Windarra Nickel Mine Ore Reserve Estimate April 2015

Source	Proven		Probable		Total		Nickel Metal (kt)
	Mt	% Ni	Kt	% Ni	Mt	% Ni	
C Shoot	-	-	339.0	1.71	339.0	1.71	5.9
F Shoot	-	-	90.3	1.61	90.3	1.61	1.5
G Shoot-Upper	-	-	51.0	1.59	51.0	1.59	0.8
H Shoot	-	-	3.8	2.79	3.8	2.79	0.1
Development Ore	-	-	82.9	1.60	82.9	1.60	1.3
Total Mt Windarra	**-**	**-**	**567**	**1.70**	**567**	**1.70**	**9.6**

Calculations have been rounded to the nearest 1,000 t of ore, 0.01 % Ni grade and 100 t Ni metal

The calculation of a Probable Ore Reserve is based on an upgraded JORC 2012 compliant Mineral Resource of **0.922 million tonnes @ 1.56% Ni for 14,000 tonnes contained nickel** (Indicated category only) which was completed by Optiro (May 2014) and previously announced. The updated Ore Reserve follows the completion of additional drilling, geotechnical modelling by Beck Engineering, as well as mine re-design and scheduling work which was completed by Deswik Mining Consultants (Australia) Pty Ltd.

The proposed mining method to be undertaken is the sub-level caving method which was the historic mining method employed at Mt Windarra. Sub-level caving has a history of success at Mt Windarra and is considered a suitable low cost mining method, if ground conditions are amenable to caving. This mining method is a top-down retreat mining method, utilising typical drill, blast, load and haul conventions. Mine development will be via standard drill and blast advance methods and typical trackless underground mining equipment is planned to be utilised. Dilution and recovery of the ore zones was estimated at 10% dilution at a grade of 0.5% Ni for development, and 4% for stoping. This is additional to a dilution skin which was accounted for in the stope designs and evaluated as part of the stope tonnes and grade. Ore recoveries were between 50% and 100%, depending upon the level of the sub-level cave.

The orebody and current mine designs extend to a depth of 1,140 metres (Figure 7).

Processing of the Windarra ore is now likely to be undertaken at the Black Swan project which is owned by Poseidon Nickel. Ore will be trucked to the concentrator and is likely to be processed in a blend of ore from Black Swan.

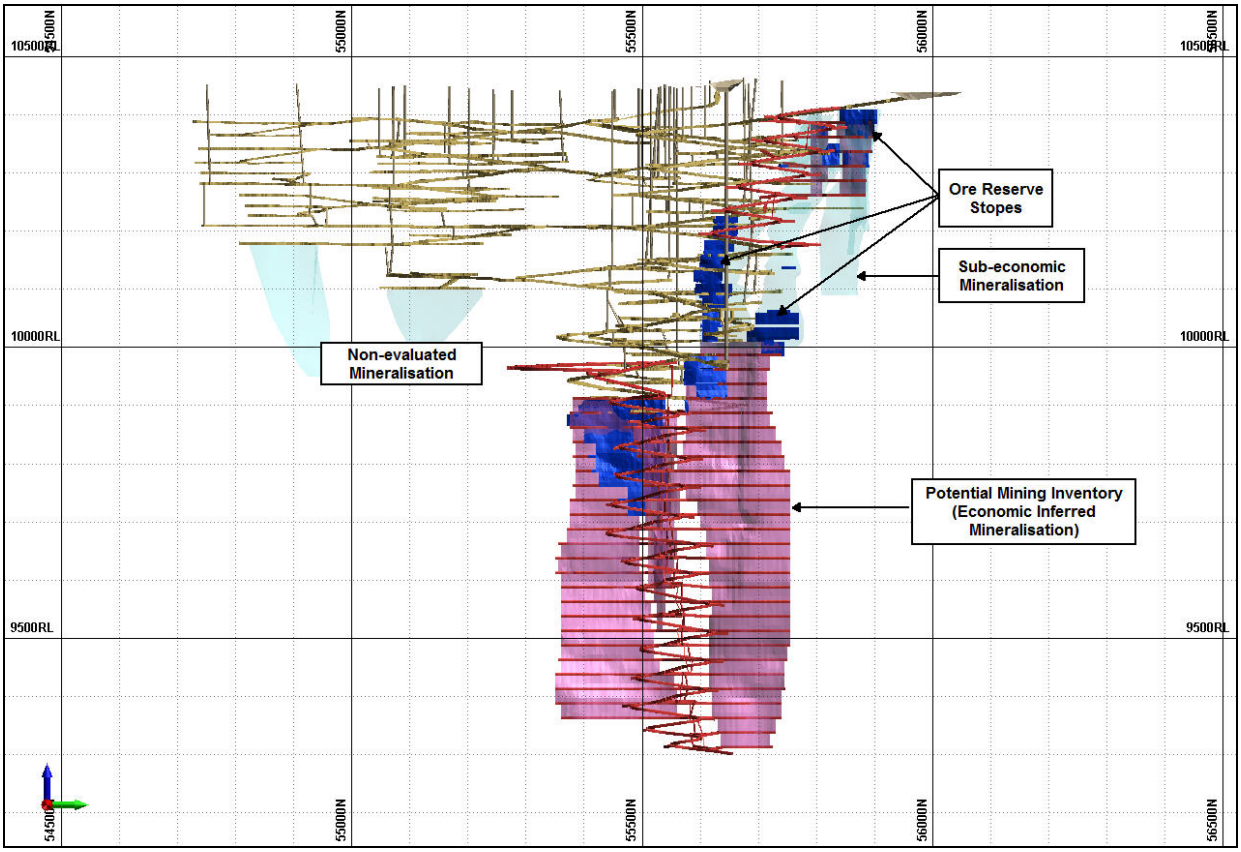


Figure 7: Ore Reserve stopes (dark blue) and modelled potential mining inventory (maroon).

FINANCIAL

As at 30 June 2015, the Company had cash on hand of A$4.9 million and a number of receivables that will be received over the coming months. These include the proceeds from the sale of the Lake Johnston concentrate of $2.3 million and the cash completion payment of $1,350,000 from Caeneus due by 1 August.

The Company has also continued with the legal action against several parties that did not pay their tranche 2 subscription funds following the capital raising in October 2014. To date the Company has recovered $554,000, and an agreement has been put in place with one of the parties for payment of a further $700,000 of the outstanding funds by mid July.

The Company is also preparing its 2014/2015 tax return which it believes will enable a refundable tax offset from the ATO under the Research and Development Tax Incentive scheme for approximately $1.5 million.

Poseidon, in conjunction with its financial advisors, has issued an Information memorandum to potential nickel offtake parties and negotiations are underway. Poseidon expects to receive offers to sell all of the concentrate produced at Lake Johnston either separately or in conjunction with a prepayment facility to fund the working capital and some capital requirements, during the initial start-up period. Whilst the current subdued nickel prices cause some concern, Poseidon believes that the positive market outlook for the commodity and the low risk and short re-start times of Lake Johnston offer an attractive proposition. The completion of the formal BFS as reported here was a necessary milestone for potential parties to commence their own due diligence of the project which is now well underway.

CORPORATE

In line with Poseidon's policy to only pay Directors fees in shares in order to retain the cash reserves of the Company, 448,985 Fully Paid Ordinary Shares were issued in lieu of Directors fees for the quarter to March under the terms of the Director Share Plan. The shares were issued on 16 April 2015 at a deemed issue price of A$0.1276 based upon the volume weighted average sale price ("VWAP") for the 91 days prior to the expiration of the quarter. The payment of shares as opposed to cash is intended to reduce the cash cost to the Company and was approved by shareholders at the Annual General Meeting held on 26 November 2014.

In addition, the Company also issued 5,364,199 Fully Paid Ordinary Shares to Jefferies LLC having elected to settle interest payable on the US$35 million Convertible Notes for the March quarter in shares.

The Company also issued 1,100,000 Fully Paid Ordinary Shares to investors following the recovery of tranche 2 subscription funds in relation to the capital raising in October 2014.

An introduction fee to a third party in relation to the acquisition of the Black Swan nickel project from Norilsk Nickel was paid in the issue of 863,636 Fully Paid Ordinary Shares at a deemed issue price of $0.084 per share following the completion of the transaction in March.

MARKET INFORMATION

Figure 4 below shows the underlying correlation between Poseidon's share price and the LME Nickel price over the last 12 months.

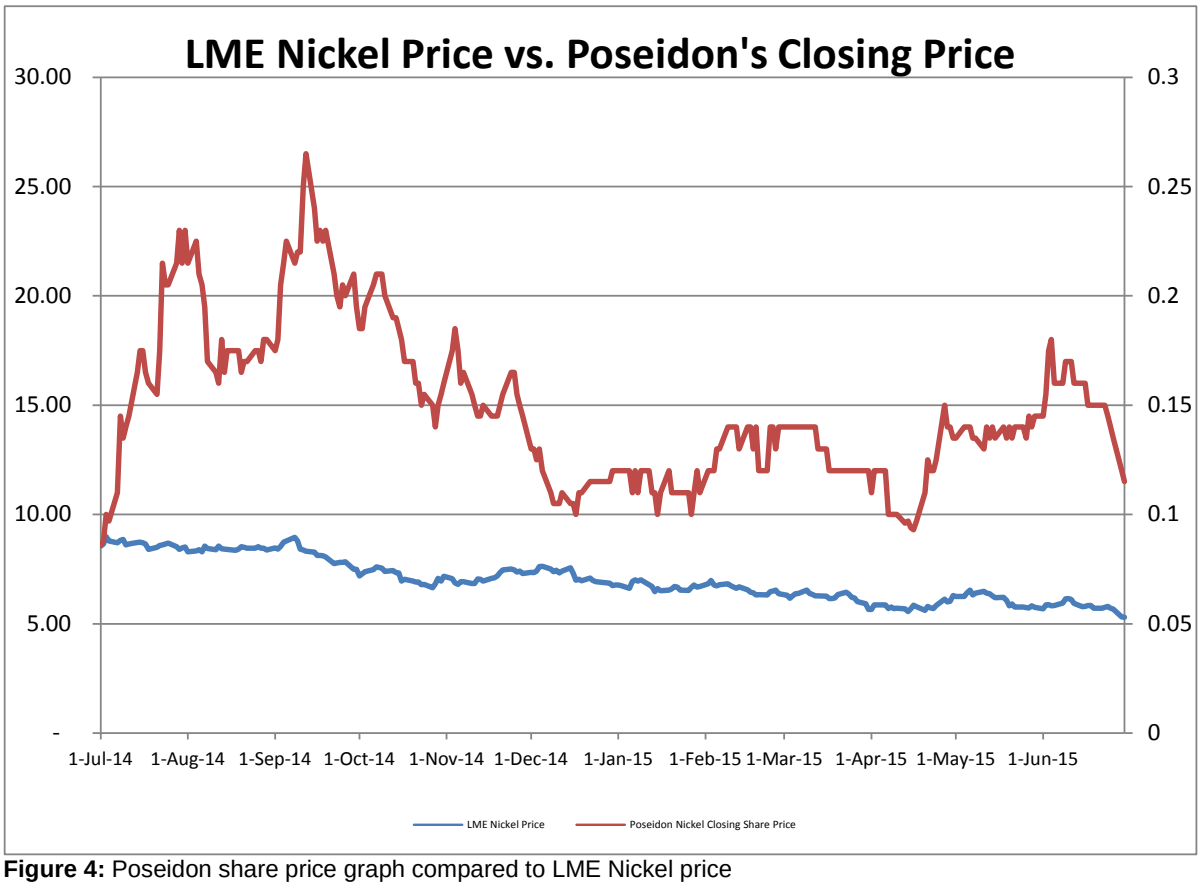


Figure 4: Poseidon share price graph compared to LME Nickel price

David P.A. Singleton
Managing Director & CEO

9 July 2015

MINERAL RESOURCE STATEMENT

Table 3: 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 4: 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)
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**

Note: totals may not sum exactly due to rounding.

ORE RESERVE STATEMENT

Table 5: Nickel Project Ore Reserve Statement

Nickel Sulphide Reserves	JORC Compliance	Ore Reserve Category		
		Probable		
		Tonnes (Mt)	Ni% Grade	Ni Metal (Kt)
LAKE JOHNSTON PROJECT				
Maggie Hays	2012	1.9	1.19	22.6
BLACK SWAN PROJECT				
Black Swan	2012	3.4	0.63	21.5
WINDARRA PROJECT				
Mt Windarra	2012	0.6	1.70	9.6
Cerberus	2004	1.2	1.30	16.0
Windarra Sub Total		**1.8**	**1.42**	**25.6**
TOTAL				
Total Ni Reserves	2004 & 2012	**7.1**	**0.98**	**69.7**

Note: totals may not sum exactly due to rounding.
Calculations have been rounded to the nearest 100,000 t of ore, 0.01 % Ni grade and 100 t Ni metal.

Notes

The information in this report which relates to the Lake Johnston Mineral Resource 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 Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy.

The information in this report which relates to the Lake Johnston Ore Reserves Project is based on information compiled by Matt Keenan who is a full time employee of Entech Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy.

The information in this report that relates to Mineral Resources at the Windarra Nickel Project 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 Reserve at the Windarra Nickel Project is based on information compiled Leanne Cureton and Andrew Law who are both full time employees of Optiro Pty Ltd and are a Member and a Fellow of the Australasian Institute of Mining and Metallurgy respectively.

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.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 Keenan, Mr Weeks, Mr Bazin, Mr Law & Ms Cureton 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 Keenan, Mr Weeks, Mr Bazin, Mr Law & Ms Cureton 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

Corporate Enquiries
Mr David Singleton – MD & CEO
P: 61 8 6167 6600
F: 61 8 6167 6649

E: admin@poseidon-nickel.com.au

Shareholder Enquiries
Enquiries concerning shareholdings should be addressed to:

Computershare Investor Services
GPO Box D182, Perth WA 6840
P: 61 8 9323 2000

Principal Office
Unit 8, Churchill Court
331-335 Hay Street
SUBIACO WA 6008
P: 61 8 6167 6600
F: 61 8 6167 6649

Registered Office
Level 2, Spectrum
100 Railway Road
SUBIACO WA 6008
P: 61 8 9367 8133
F: 61 8 9367 8812

Media Enquiries

P: 61 8 6167 6600
F: 61 8 6167 6649
E: admin@poseidon-nickel.com.au

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

TENEMENTS

Mining Tenements Held as at 30 June 2015

Areas of Interest	Tenements	Economic Entity's Interest
Western Australia		
- Windarra Nickel Assets	MSA 38/261, G38/21, L38/121, L39/184, L38/199, L38/218, L39/221	100%
- Windarra South	L38/119, L38/122, L38/220	100%
- Woodline Well	M39/1075, L39/224	100%
- Pool Well	M38/1243, M38/1244, M38/1245, L38/118	100%
- Brown Well	P38/3989, P38/3990, P38/3991	100%
- Lake Johnston Nickel Assets	E63/0585, E63/0837, E63/1067, E63/1135, E63/1138, E63/1140, G63/0004, G63/0005, L63/0051, L63/0052, L63/0055, L63/0057, M63/0163, M63/0282, M63/0283, M63/0284, M63/0292, M63/0293, M63/0294, M63/0302, M63/0522, M63/0523, M63/0524, P63/1527 E63/0625	100% 50%
- Black Swan Nickel Assets	E27/0357, M27/0039, M27/0200, M27/0216, P27/1808, P27/1809, P27/1810, P27/1811, L27/0058, L27/0058, L27/0059, L27/0074, L27/0075, L27/0077, L27/0078	100%

E = Exploration Licence M = Mining Lease MSA = Mining Tenement State Act PL = Prospecting Licence
L = Miscellaneous Licence

Mining Tenements Acquired during the June 2015 Quarter

E27/0357, M27/0039, M27/0200, M27/0216, P27/1808, P27/1809, P27/1810, P27/1811, L27/0058, L27/0058, L27/0059, L27/0074, L27/0075, L27/0077, L27/0078

Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements during the June 2015 Quarter

Nil

Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements Acquired or Disposed of during the June 2015 Quarter

Nil

Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 010/7/96. Origin: Appendix 8. Amended 010/7/97, 01/07/98, 30/09/2001, 01/06/2010, 17/12/10, 01/05/2013.

Name of entity

Poseidon Nickel Limited

ABN	Quarter ended ("current quarter")
60 060 525 206	30 June 2015

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration & evaluation	(3,181)	(11,565)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(816)	(4,684)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	63	228
1.5	Interest and other costs of finance paid	(104)	(1,175)
1.6	Income taxes paid	-	-
1.7	Other - sundry income	174	329
	- R&D tax offset	-	1,388
	Net Operating Cash Flows	(3,864)	(15,479)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	(1,308)
	(b) equity investments	-	-
	(c) other fixed assets	(181)	(2,144)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets		
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(181)	(3,452)
1.13	Total operating and investing cash flows (carried forward)	(4,045)	(18,931)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(4,045)	(18,931)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	500	28,798
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(8,120)
1.18	Dividends paid	-	-
1.19	Other – share issue costs	(5)	(1,253)
	Net financing cash flows	495	19,425
	Net increase (decrease) in cash held	(3,550)	494
1.20	Cash at beginning of quarter/year to date	8,407	4,363
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	4,857	4,857

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	141
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

On 13 April 2015, 448,985 ordinary shares were issued at a price of $0.1276 as approved by the Shareholders at the November 2014 Annual General Meeting. The shares were issued to the Non-Executive Directors in lieu of Directors Fees for the March 2015 quarter.

These have not been included in the above cash flow.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	35,103	35,103
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	2,800
4.2	Development	-
4.3	Production	-
4.4	Administration	900
	Total	3,700

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	2,848	2,399
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other – Term Deposits	2,009	6,008
	Total: cash at end of quarter (item 1.22)	4,857	8,407

Changes in interests in mining tenements and petroleum tenements

		Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	N/A			

+ See chapter 19 for defined terms.

6.2	Interests in mining tenements and petroleum tenements acquired or increased	E27/0357, M27/0039, M27/0200, M27/0216, P27/1808, P27/1809, P27/1810, P27/1811, L27/0058, L27/0058, L27/0059, L27/0074, L27/0075, L27/0077, L27/0078	Granted	0%	100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	693,342,920	693,342,920		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	9,754,598	9,754,598		
7.5	+Convertible debt securities *Unsecured*	36,531,904 This is an estimate only based on an average exchange rate of 1.0265. 64,945,608 This is an estimate only based on an average exchange rate of 1.0265.	- -	$0.40 $0.30	The Notes have a March 2011 six year term convertible into fully paid ordinary shares. The Notes have a March 2011 six year term convertible into fully paid ordinary shares.
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options *Unlisted* *Unlisted*	 2,975,000 4,250,000	 - -	*Exercise price* $0.22 $0.22	*Expiry date* 31 August 2016 23 November 2016
7.8	Issued during quarter				

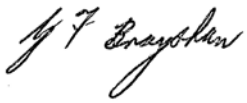
+ See chapter 19 for defined terms.

7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures *(totals only)*				
7.12	Unsecured notes *(totals only)*				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 9 July 2015

(Director)

Print name: Geoff Brayshaw

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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