

17th November 2015

Exploration Drilling at Lake Johnston

Highlights

- **Poseidon to commence exploration drilling at Lake Johnston with the aim of increasing overall mine grades to reduce production costs further**
- **Lake Johnston was host to the Emily Ann deposit which averaged a resource grade of 4.1% nickel and produced 46,000 tonnes nickel**
- **Geological re-examination suggests the Emily Ann deposit was terminated by a fault and extensions maybe offset along that fault**
- **Detailed geophysical analysis by Poseidon and independent specialist experts indicate strong electrical conductor in region of likely fault offset**
- **Poseidon will test electrical conductors with targeted surface drilling**
- **The drilling programme is 50% co-funded by the West Australian Governments Department of Mines and Petroleum (DMP) via its Exploration Incentive Scheme (EIS)**

Poseidon Nickel Limited (ASX:POS or the Company) is pleased to announce that it intends to drill a highly prospective structurally-offset electromagnetic target identified adjacent to the Emily Ann deposit at the Lake Johnston project.

The drilling is particularly important because the Emily Ann deposit was a high grade massive nickel sulphide deposit which with a resource grade of 4.1% nickel made Emily Ann one of the top tier deposits by grade globally.

The potential of offset deposits to Emily Ann is highly significant to the Lake Johnston operation because of the existence of extensive infrastructure on the site. This includes decline development and associated infrastructure to the Emily Ann deposit which would potentially be used to access any new development, as well as the Lake Johnston process plant and the Maggie Hays ore body which Poseidon intends to bring into operation as nickel prices improve.

3D modelling and structural interpretation has determined that potentially half of the Emily Ann system has been discovered to date and that the remaining portion of the deposit has been offset to the east and at depth by the early basal faulting.

Poseidon submitted its proposal to the West Australian Department of Mines and Petroleum earlier in the year and was successfully granted the Exploration Incentive Scheme co-funding. The EIS grant will contribute up to \$150,000 towards drilling costs representing about 50% of the total investment. The drilling company will be paid for the remaining 50% in company shares which it has said it intends to retain. Drilling will commence in November this year.

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
Silver Swan	2012	1.40%	21.1	12.48	2,650	85.5	12.15	10,350	106.6	12.20	13,000
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		16,688	1.00%	166,550	27,300	0.83%	225,950	43,988	0.89%	392,500

Note: totals may not sum exactly due to rounding

Table 3: 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 4: Nickel Project Ore Reserve Statement

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

Note: totals may not sum exactly due to rounding.

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 which relates to the Silver Swan 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.

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.

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.

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

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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