

31st August 2017

KIDMAN OPTION OVER LAKE JOHNSTON LAPSES

Poseidon Nickel Limited (**ASX: POS, the Company or Poseidon**) advise that Kidman Resources Limited (**Kidman**), has confirmed that they do not plan to exercise their option to lease the Lake Johnston plant and equipment as set out in the Option Deed (**Agreement**).

Recently Kidman announced it had entered into a landmark, \$110M agreement with one of the world's leading lithium chemical producers Sociedad Quimica y Minera de Chili S.A. (**SQM**) to establish a 50:50 joint venture to develop and operate its Mt Holland Lithium Project, as well as to develop a downstream lithium refinery operation in Western Australia (refer to Kidman's ASX announcement dated 12th July 2017).

Poseidon Chairman Chris Indermaur stated "Entering into an agreement with Kidman was a strategic decision made during a prolonged downturn in the nickel market, to secure future cash flow from the Lake Johnston Operations. Poseidon plans to review its restart strategy of its nickel operations to take advantage of the recent improvements in the nickel market."

Nickel pricing is currently trading at 12 month highs of above US\$5.25/lb and has risen sharply over the last 2 months gaining almost 25% since dipping below US\$4/lb in June 2017. Whilst it is too early to make a call on the future direction of the nickel price, the forecast global demand for key battery ingredients such as nickel, cobalt and lithium now appears to be impacting on nickel pricing.



12 month nickel pricing shows a rapid gain over the last 2 months

Importantly, during the Kidman Option period, Poseidon confirmed that a saleable spodumene concentrate can be produced via the Lake Johnston Operations. Furthermore Poseidon developed know-how and intellectual property on processing lithium through an existing nickel sulphide concentrator, resulting in the application of several co-processing patent applications lodged by the Company.

Kidman completed detailed engineering in support of a restart at Lake Johnston Operations. As set out in the Agreement, all confidential information generated by Kidman and its contractors for the restart of Lake Johnston will be transferred to Poseidon.

Poseidon plans to progress local exploration of known lithium hosted pegmatite outcropping on its tenements and will consider agreements with third parties to establish Lake Johnston as an emerging, co-processing facility for lithium and nickel. Following a successful exploration campaign, Poseidon will then move to complete R&D and engineering in support of trial mining and trial co-processing of ores at Lake Johnston.

The Company also plans to progress exploration on the recent Abi Rose nickel discovery located close to the high grade Emily Ann nickel mine (refer to ASX announcement 21st March 2016).

Poseidon submitted its proposal to the West Australian Department of Mines and Petroleum earlier in the year and was again successful in securing a grant under 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.

CORPORATE DIRECTORY

Director / Senior Management

Chris Indermaur	Non-Executive Chairman
David Singleton	Non-Executive Director
Geoff Brayshaw	Non-Executive Director
Robert Dennis	Non-Executive Director
Gareth Jones	Company Secretary
Eryn Kestel	Joint 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