



# Australia's 'New' Nickel

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Managing Director & CEO

May 2013

**POSEIDONNICKEL**

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# Poseidon Nickel Highlights

- ✓ Low risk project, low complexity. Two mines - brownfield + greenfield on existing infrastructure
- ✓ Fast start project. Short construction, commissioning and ramp-up. DFS completed, all required approvals in place
- ✓ Strong competitive position. Second quartile cash cost position and low capital intensity
- ✓ Large resource size. Significant resource extension potential
- ✓ Experienced management team. Chairman Andrew Forrest worked with Poseidon team for 5 years to bring project to fruition.
- ✓ Credit Suisse engaged to arrange Project debt financing
- ✓ Poseidon will be the only new nickel sulphide producer ready to meet supply shortfalls in 2014/2015

# Poseidon Nickel – Overview

<b>Description</b>	<ul style="list-style-type: none"> <li>ASX-listed nickel development and production company that owns 100% of the Windarra Nickel Project – a large, high grade nickel asset</li> </ul>
<b>Share price</b>	<ul style="list-style-type: none"> <li>\$0.17 (16 May 13)</li> </ul>
<b>Shares</b>	<ul style="list-style-type: none"> <li>409.3m</li> </ul>
<b>Market cap</b>	<ul style="list-style-type: none"> <li>\$69.6m</li> </ul>
<b>Capital</b>	<ul style="list-style-type: none"> <li>Cash A\$12m</li> <li>Convertible notes US\$35m @ 34c (avg.)</li> <li>Unsecured loan (A.Forrest) A\$8m</li> </ul>
<b>Resources / Reserves</b>	<ul style="list-style-type: none"> <li>144,400 tonnes Ni metal resources</li> <li>15,880 tonnes Ni metal reserves</li> </ul>
<b>Target production</b>	<ul style="list-style-type: none"> <li>c.10,000 tonnes Ni p.a. – 15,000 tonnes</li> </ul>
<b>Project life</b>	<ul style="list-style-type: none"> <li>10+ years</li> </ul>
<b>Expected capex</b>	<ul style="list-style-type: none"> <li>A\$197 million (plus working capital and financing costs)</li> </ul>

## Poseidon Board / Management



**Andrew Forrest**  
Chairman



**David Singleton**  
CEO



**Rob Dennis**  
COO



**Michael Rodriguez**  
Group Technology  
Manager

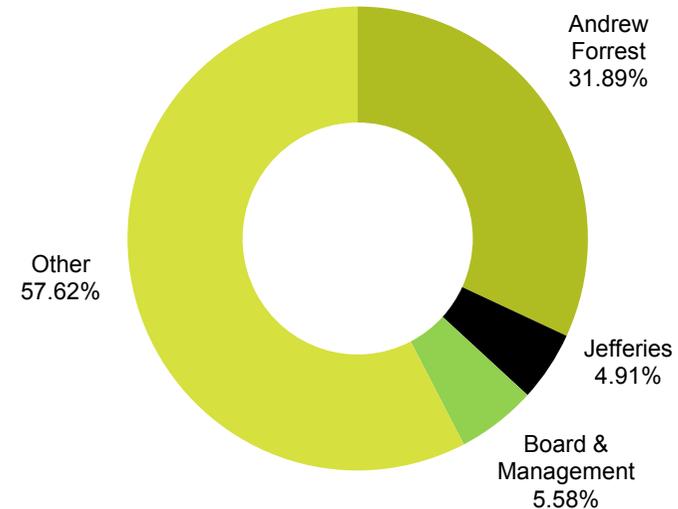


**Neil Hutchison**  
General  
Manager –  
Geology



**Gareth Jones**  
Financial  
Controller

## Shareholders

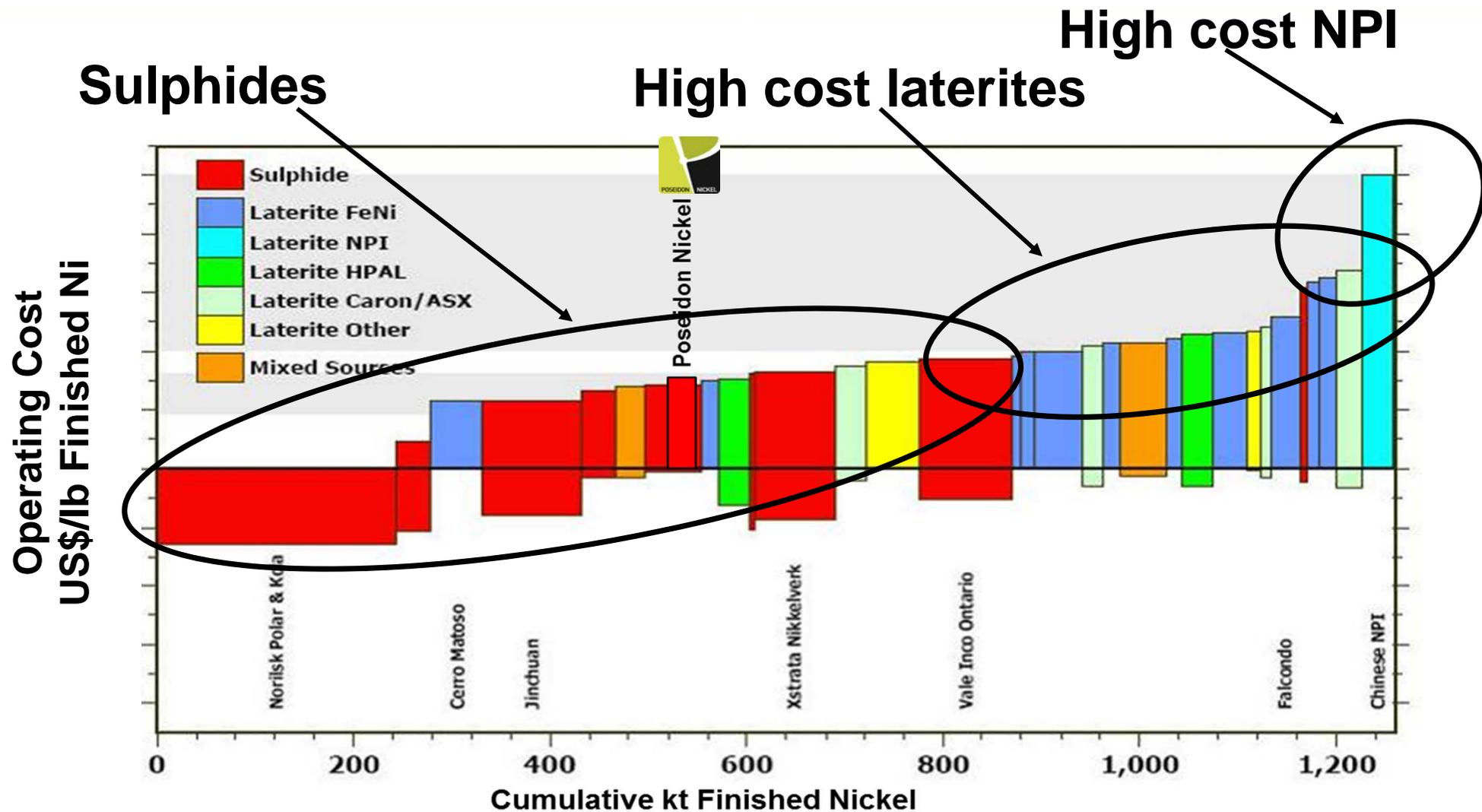




# Nickel Market

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# Nickel sulphides have a capital intensity of less than 50% of laterites and are generally lower in operating cost

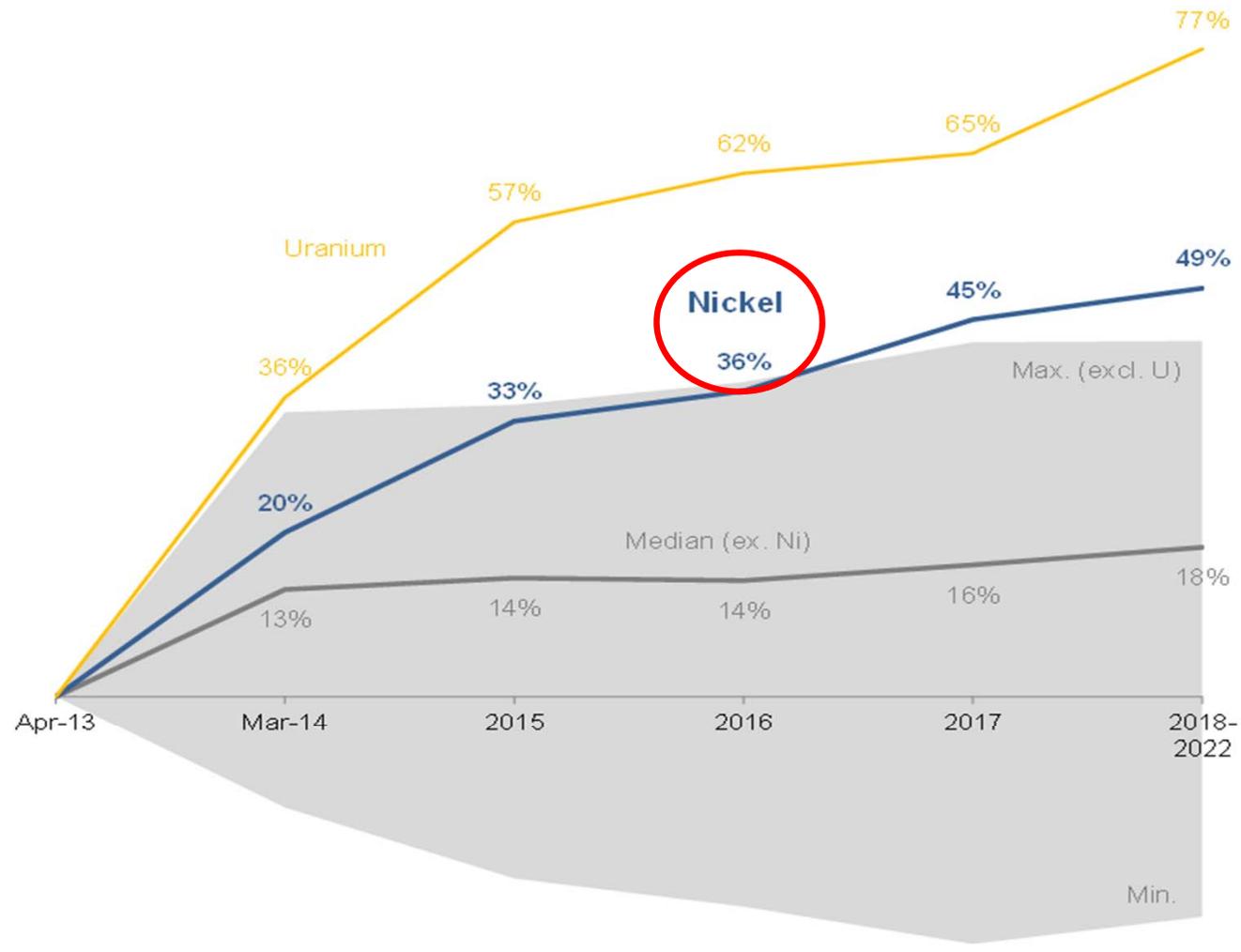


# Nickel Price Outlook

## Nickel Expected to Outperform Other Commodities

Consensus Forecasts - Implied Changes from Spot  
15 April 2013

- Commodities**
- Crude Oil - Brent
  - Crude Oil - WTI
  - Natural gas (US)
  - Coal (steaming)
  - Uranium
  - Aluminium
  - Alumina
  - Copper
  - Lead
  - Zinc
  - Tin
  - Steel (HRC, Europe)
  - Iron ore (Aust. Fine)
  - Gold
  - Silver
  - Platinum
  - Palladium

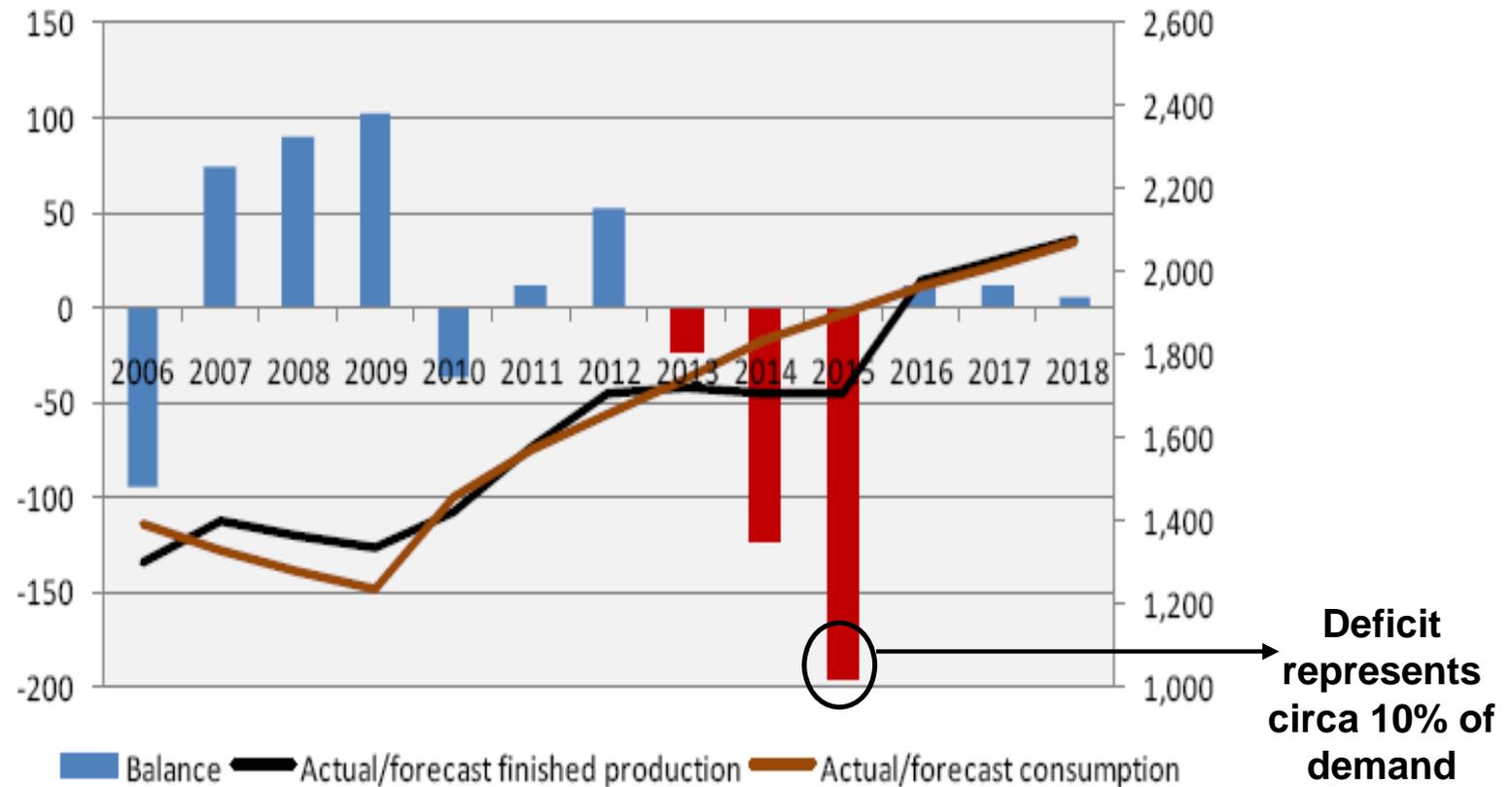


- Institutions (nickel)**
- Barclays Capital
  - CIMB Group
  - RBC Capital Markets
  - Wilson HTM
  - Commonwealth Bank
  - Euromonitor International
  - Morgan Stanley
  - BREE
  - BNP Paribas
  - BIPE
  - Investec
  - Liberium Capital
  - Oxford Economics
  - IHS Global Insight
  - Standard Bank
  - BoA Merrill Lynch
  - Macquarie Bank
  - Societe Generale
  - HWWI
  - UBS
  - Credit Suisse
  - China Int'l Capital Corp
  - Prometeia
  - Deutsche Bank
  - Econ Intelligence Unit

# AME Group predicts a supply shortage in 2014/2015 leading to sharp commodity price rises

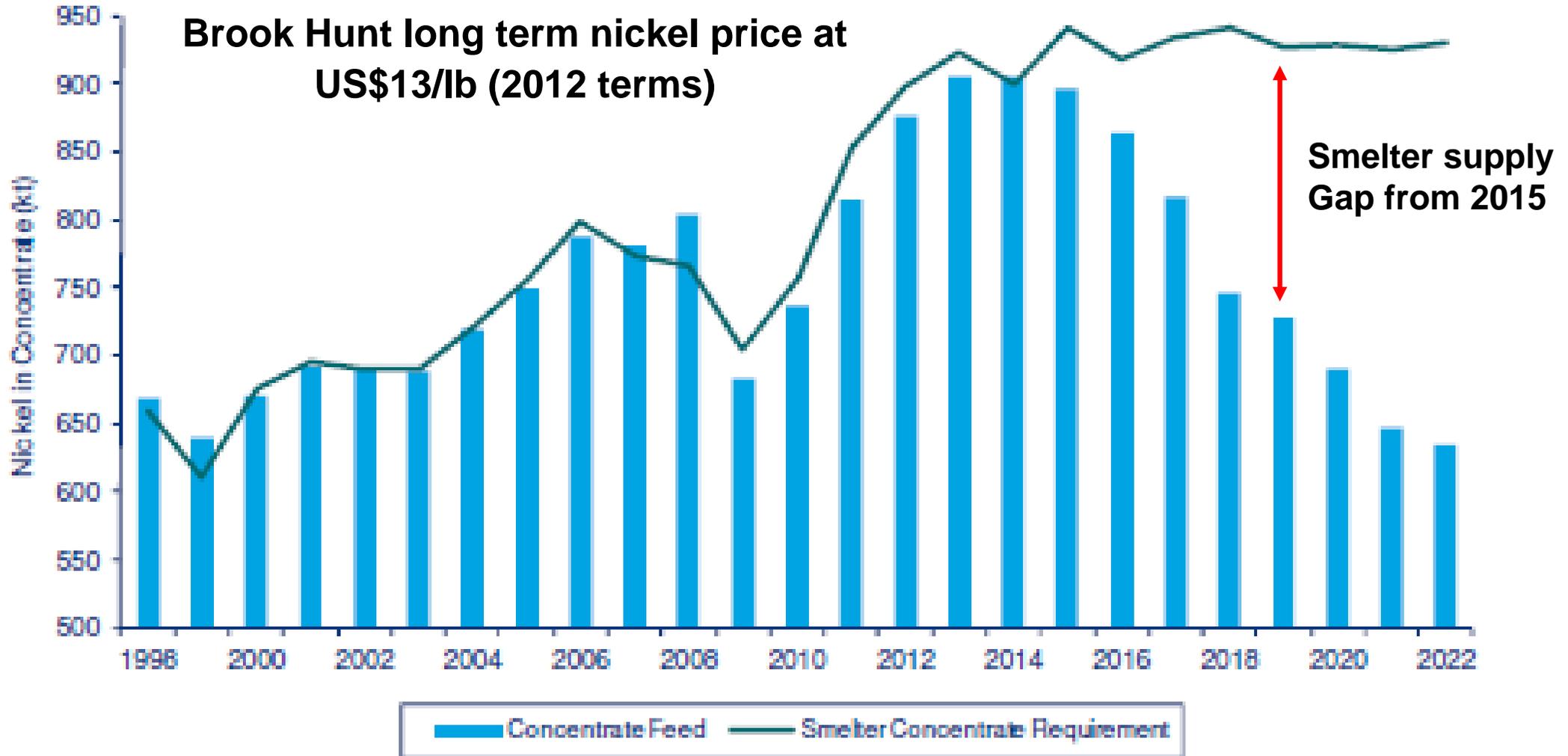
## Significant nickel under supply in 2015

### Finished Nickel Market Balance, 2006 – 2018e



Source: AME

# Brook Hunt predicts material supply gap from 2015 for nickel smelters, which could lead to concentrate offtake terms improving



Source: Brook Hunt - A Wood Mackenzie Company



# Windarra Nickel Project

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# Unique, Low Risk, High Growth Prospect Nickel Sulphide Project

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## Unique, Low Risk

- Only new nickel sulphide producing company in Australia over the last 10 years
- 20 year operating history – Mt Windarra produced for Western Mining Corporation and is well understood
  - Low capital intensity
  - Second Quartile cash producer
- Mining low risk
- Standard configuration plant producing smelter grade product

## Diversification and Resource Growth Potential

- Two operating mines and gold production
- New Cerberus orebody proves the potential for further deposits along the 24km belt
  - Discovered in 2008 using modern underground electromagnetic technology
  - Reserve announcement made
  - Similar flotation and processing characteristics to Mt Windarra
- Resource growth significant and expected to continue

## Plant Capacity

- 900,000 tonne concentrator plant supporting 700,000 tonne initial throughput
  - Design of plant, camp, power, water, tailings disposal complete
  - Fixed price contract
  - 12 month build programme

## Gold Production

- Ramp up cashflows supported by gold retreatment circuit
  - Re-treatment of gold tailings from Lancefield and other local mines
  - Expected output will be 45,000 total ounces in the first 3 years
  - US\$620/ounce operating cost (initial 2 years)

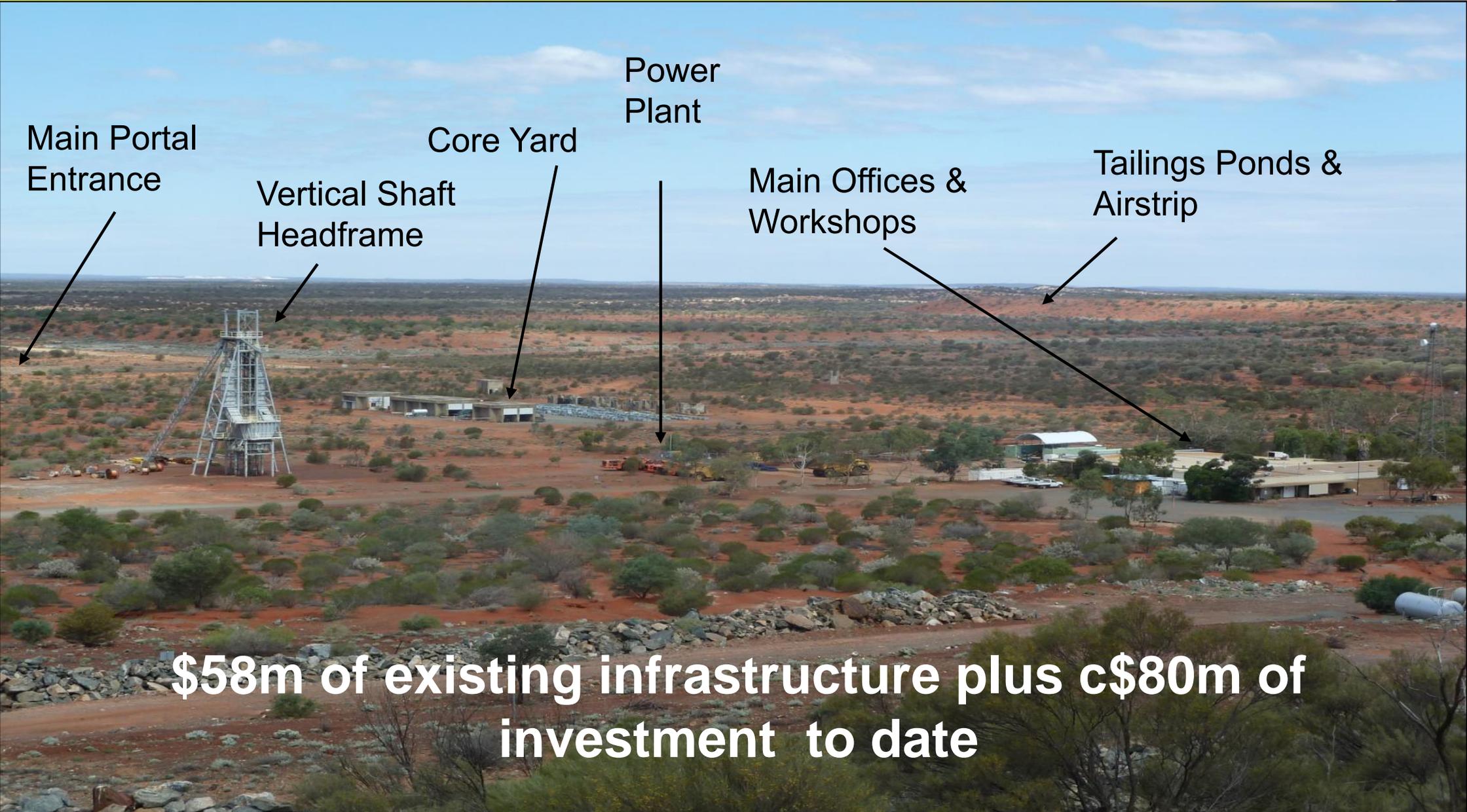
# Outstanding DFS Results - confirmed viability of Windarra Nickel Project

## DFS HIGHLIGHTS

- Production 9,600 tonnes contained nickel + 45,000 ounces AU in 3 years
- Average C1 cost US\$3.35/lb over initial 10 year life of mine
- Capital cost A\$197million (plus working capital and financing costs)
- Expected EBITDA US\$1.8 billion and NPV of US\$546m over initial LOM
- Credit Suisse engaged to assist in assessing financing alternatives
- Potential to increase mine life beyond initial 10 years
- Further drilling underway
- All approvals in place

	Full Project Economics (DFS plus options)
Total Nickel Ore Processed <sup>1</sup>	7.2mt @ 1.57% Nickel
Total Gold Tailings Reprocessed <sup>2</sup>	4.4mt @ 0.71g/t
Total Nickel Tailings Reprocessed <sup>3</sup>	10.1mt @ 0.32%
Pre-Start Capital Cost <sup>4</sup>	A\$197m
Average Operating Cost <sup>5</sup>	US\$3.35/lb
Average Mining Cost (Operating) <sup>6</sup>	A\$64.11/t
Average Processing Cost <sup>7</sup>	A\$37.70/t
Total Revenue <sup>8</sup>	US\$3,431 m
EBITDA <sup>9</sup>	US\$1,834 m
NPV @ 8% Discount Rate <sup>10</sup>	US\$546m
Project IRR (pre-tax) <sup>11</sup>	31%

# Mt Windarra Mine Site includes significant existing infrastructure



**\$58m of existing infrastructure plus c\$80m of investment to date**

# Well Understood, Attractive Geological Setting

## Initial production from Mt Windarra (Brownfield) and Cerberus (Greenfield) mines

**Mt Windarra Brownfields  
Underground Mine &  
Process Plant**

**Mt Windarra Mine**  
3.95Mt @ 1.73% Ni  
For 68,300t Ni metal

**Woodline Well Oxide**  
0.27Mt @ 1.38% Ni  
For 3,676t Ni metal

**South Windarra Open Pit Mine**

**South Windarra Mine**  
0.77Mt @ 0.98% Ni  
For 7,500t Ni metal

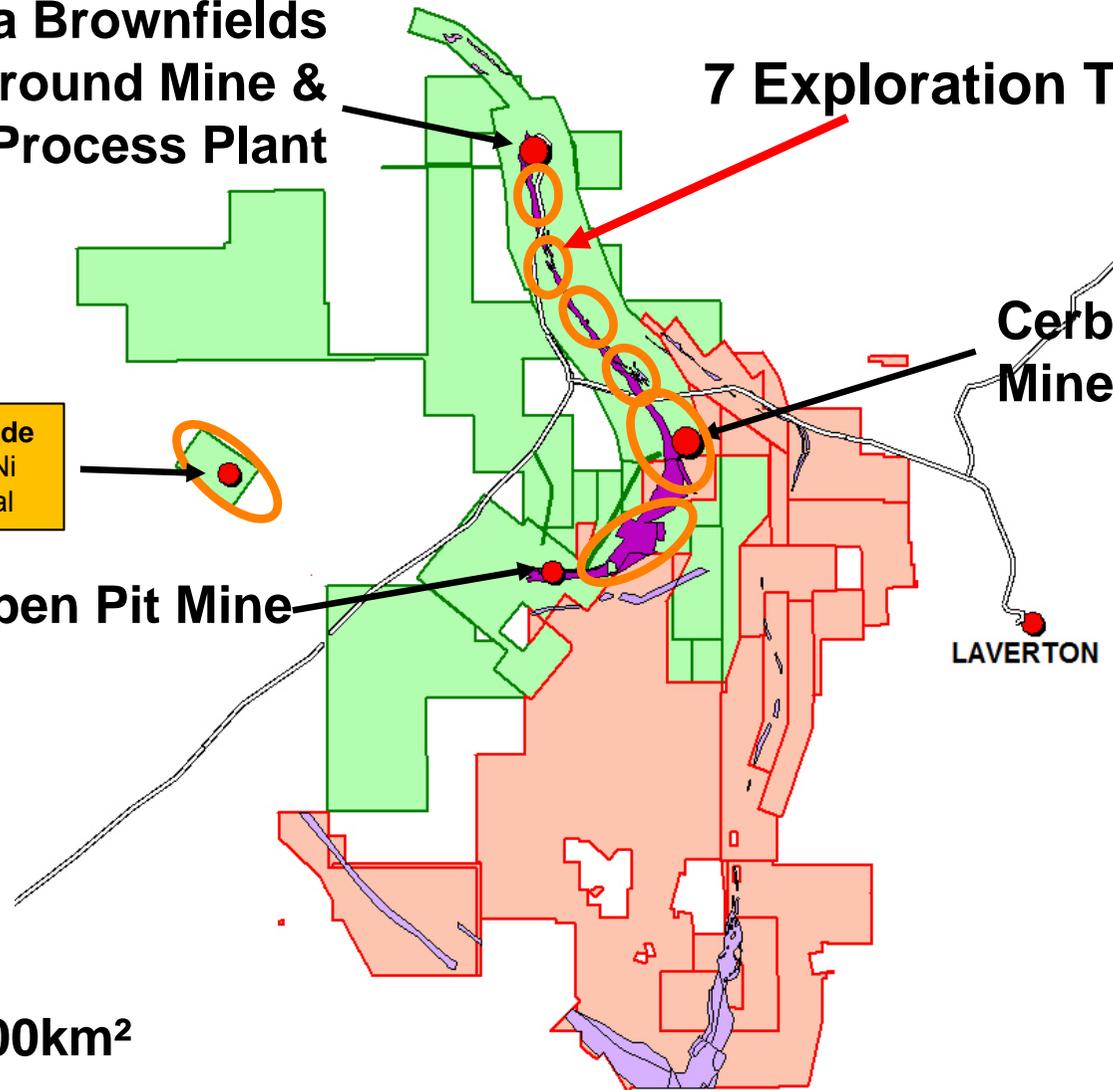
**7 Exploration Targets**

**Cerberus Greenfields  
Mine**

**Cerberus Deposit**  
4.55Mt @ 1.51% Ni  
For 68,600t Ni metal

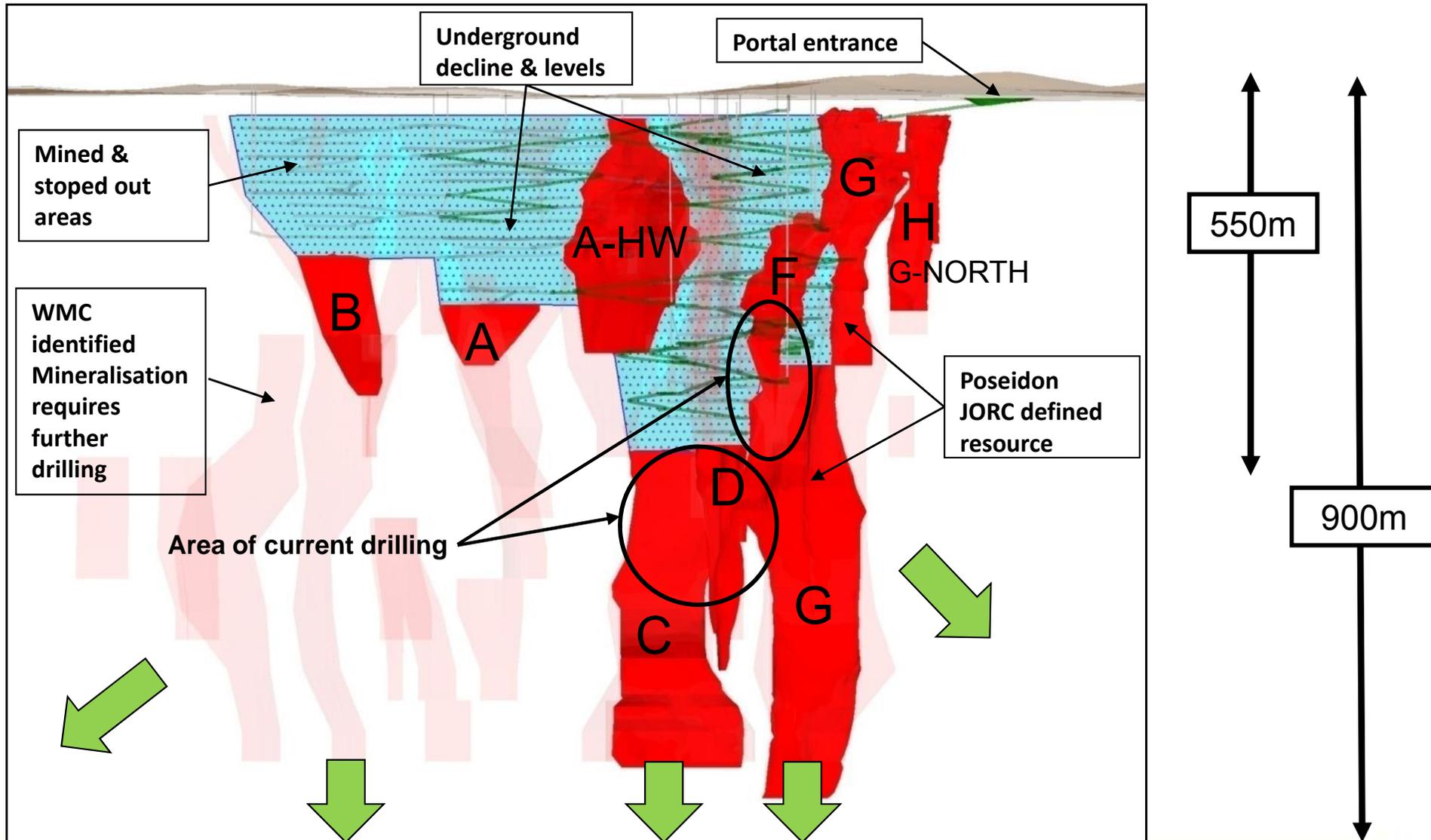
LAVERTON

**Total area circa 400km<sup>2</sup>**



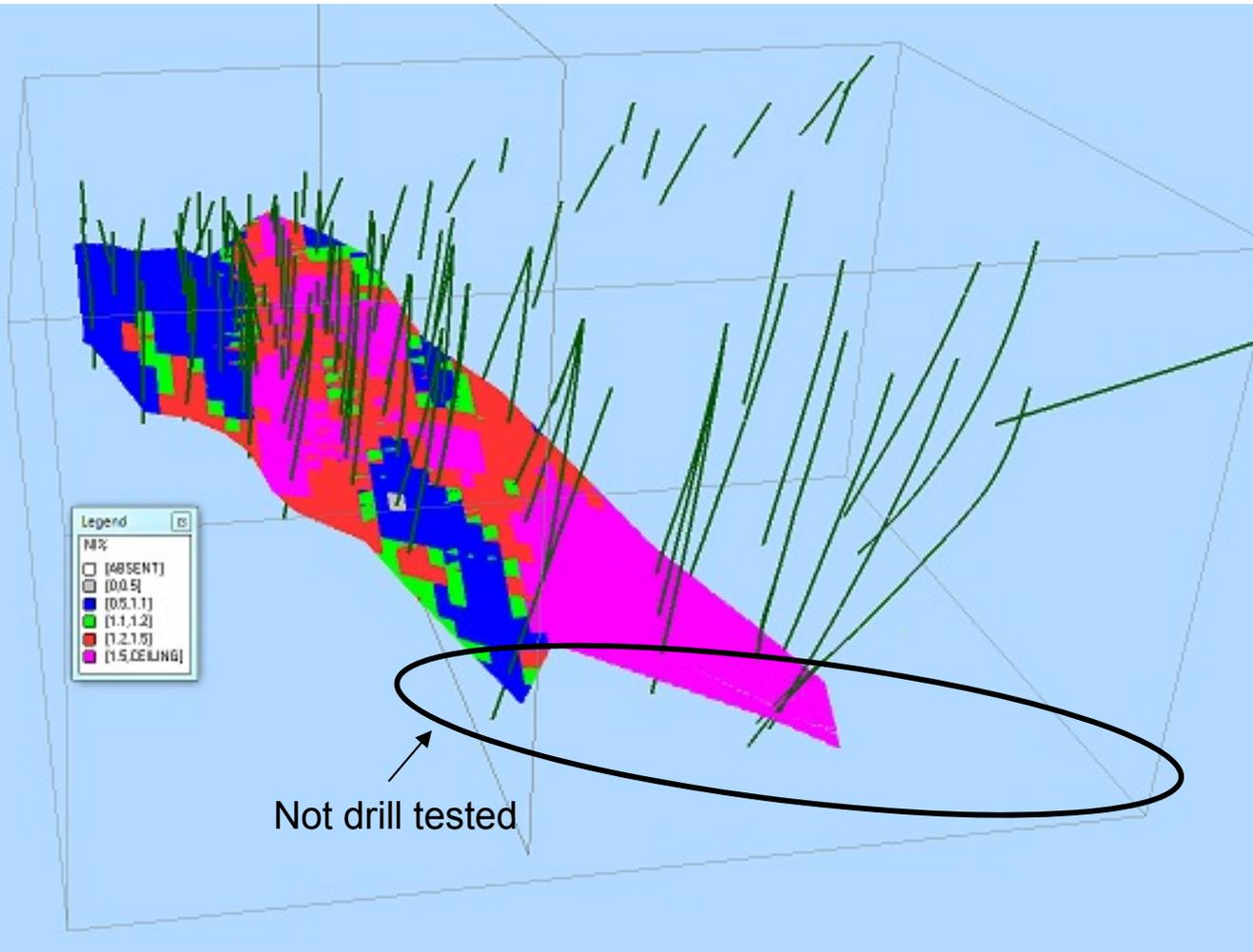
# Mt Windarra Brownfield proven mine with many years of further life & expansion potential

Mt Windarra mined to 550m with ore body continuity to at least 900m



# Cerberus Greenfield mine discovered in 2008 and has led to further potential ore body locations

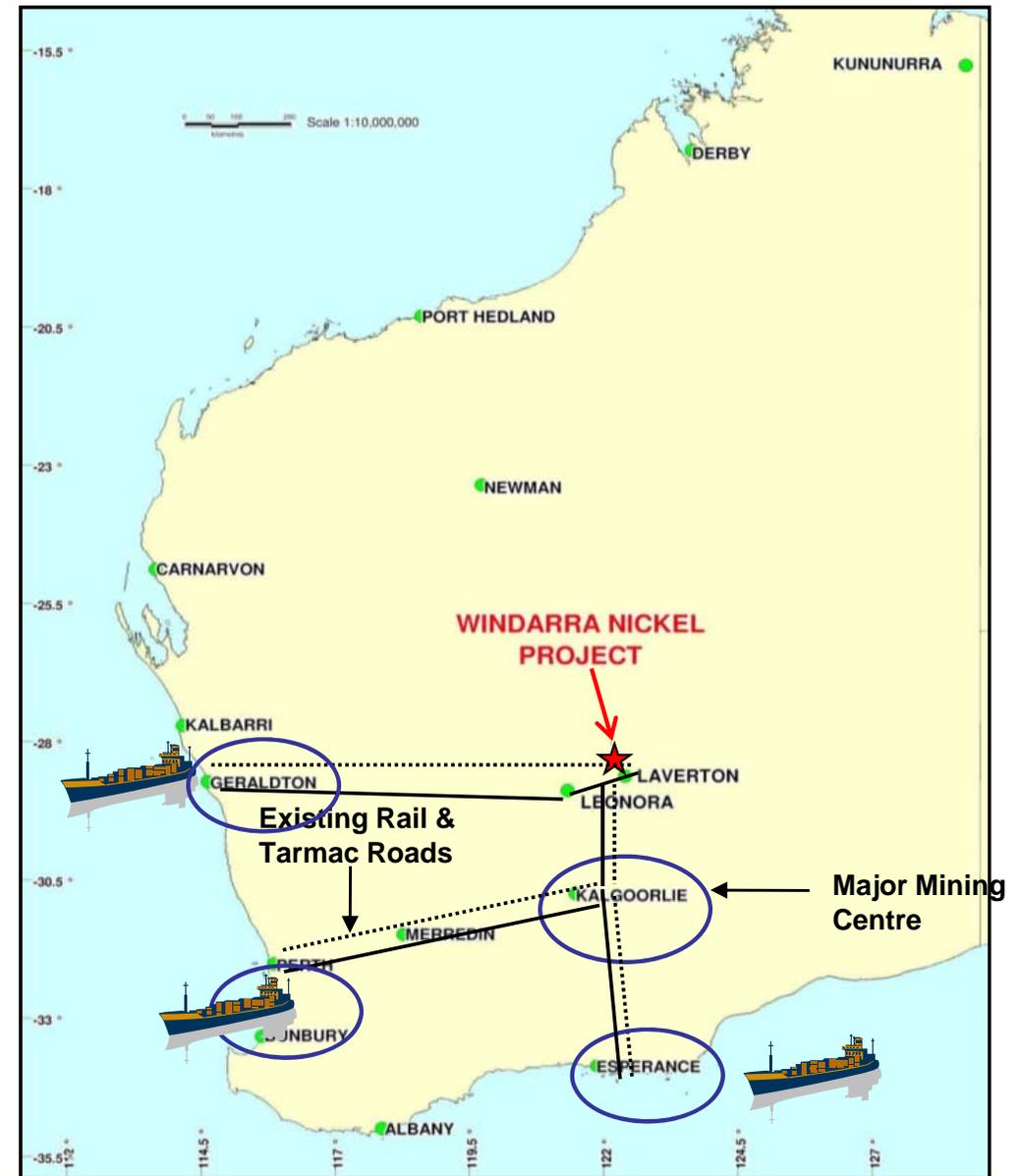
## Cerberus is one of the few new discoveries in Australia in recent years



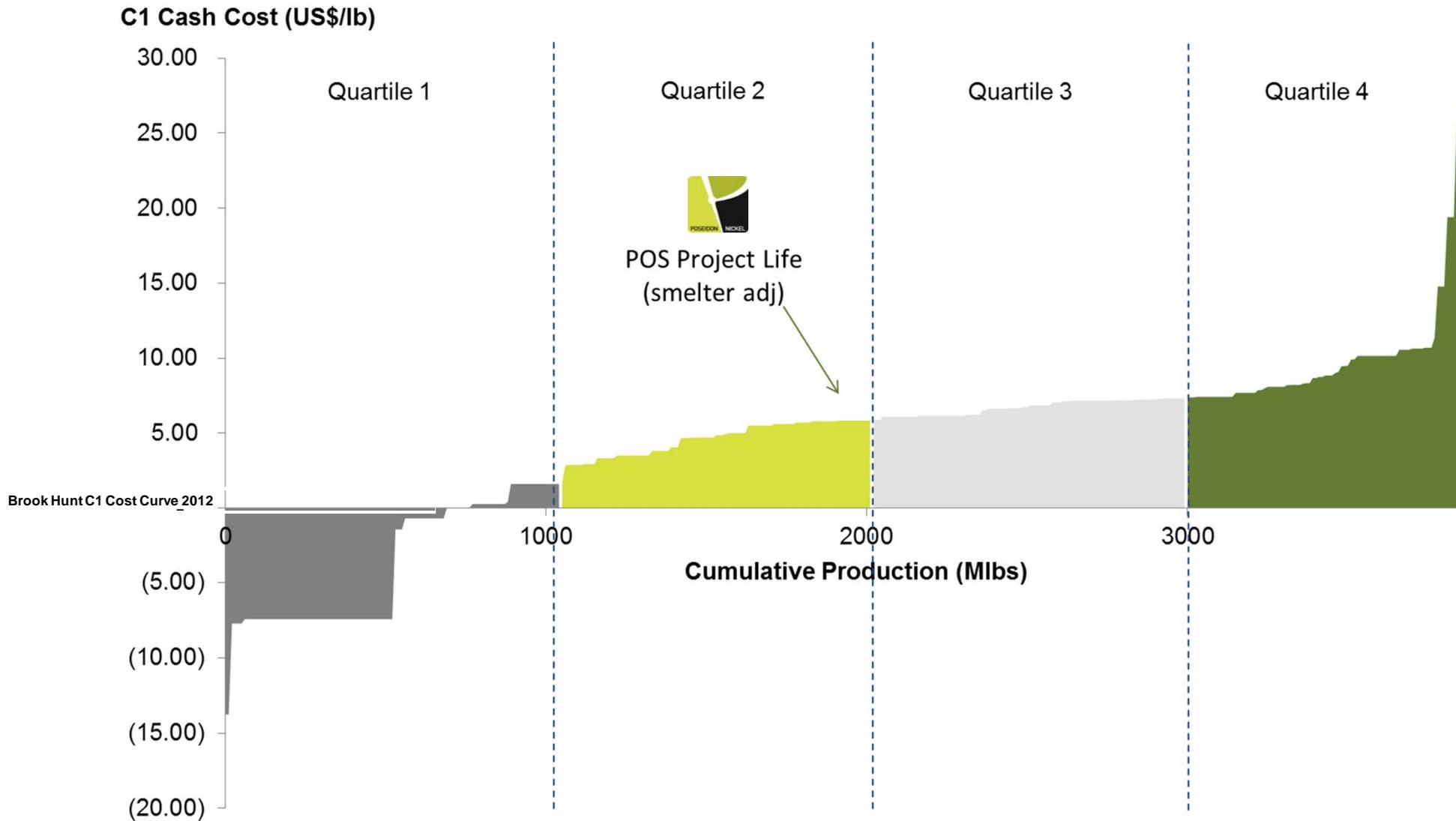
- Discovered during Poseidon's first regional drilling campaign
- Underground deposit commencing 64m from surface
- Mine is high grade, continuous and extends over 1.4km to a known depth of 700m & 400m wide
- Drilling indicates significant resource expansion likely
- 110 drill holes for 32km completed
- ~50% of deposit in Indicated JORC category
- 15 drill holes for 14km required to complete resource/reserve drilling at depth
- Mineralisation open in several directions

# Clean concentrate ideal for 'hungry' smelter market

- **Clean concentrate:**
  - 82% Nickel Recovery
  - 12% smeltable concentrate
  - Low impurities inc. MgO & Arsenic
- **Offtake offers:** Received from multiple parties
  - Right of refusal to BHP on similar terms
- **Multiple export markets and routes**
  - Laverton site connected by main roads and 80km from rail
  - Geraldton bulk using Rotobox system
  - Esperance bulka bags
  - Fremantle by container



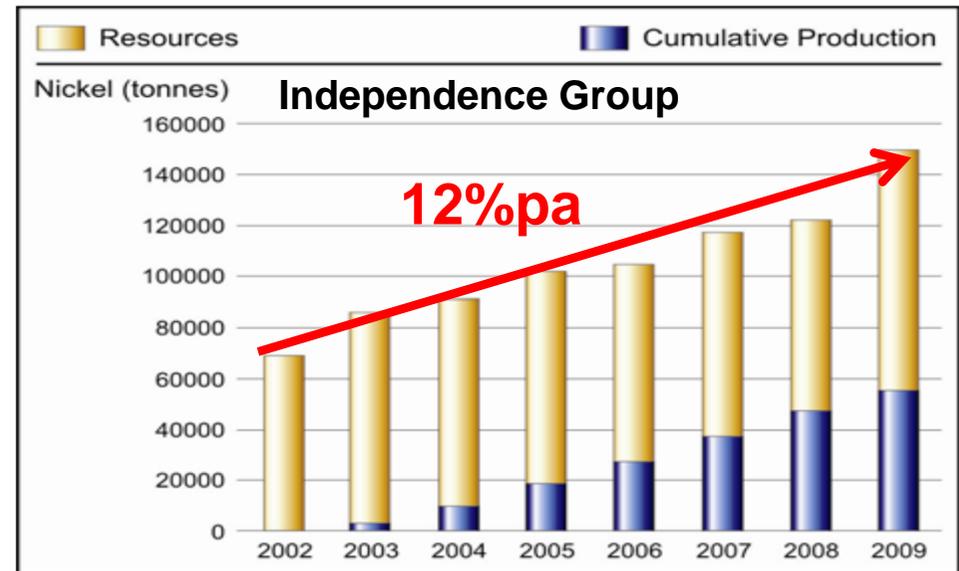
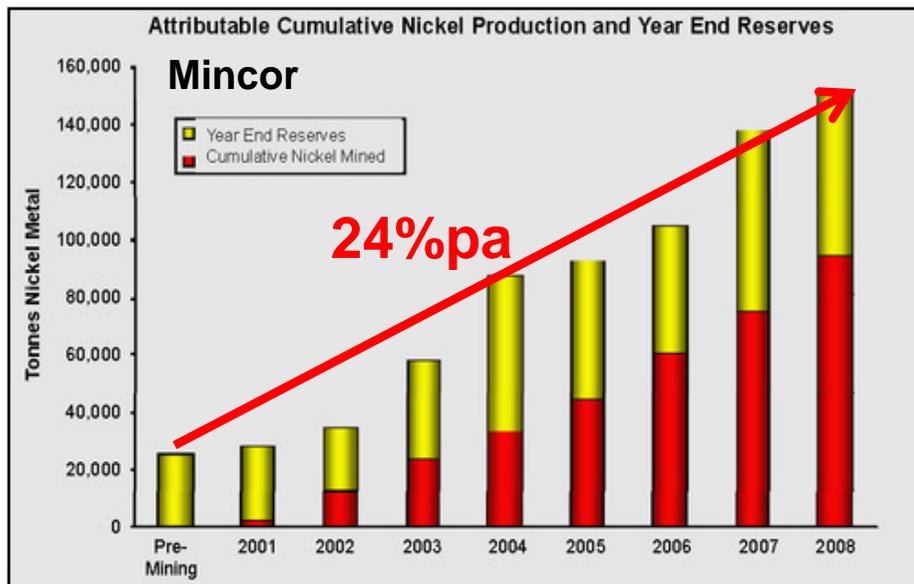
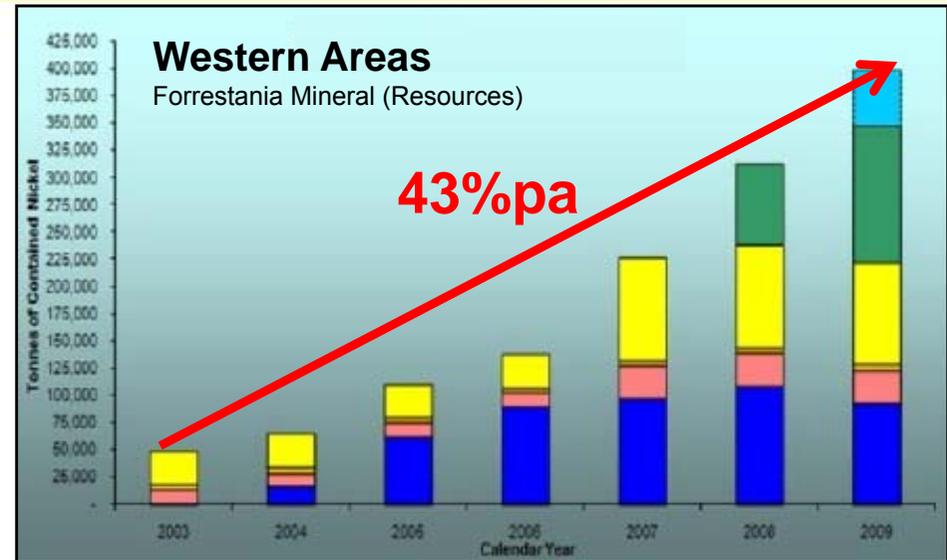
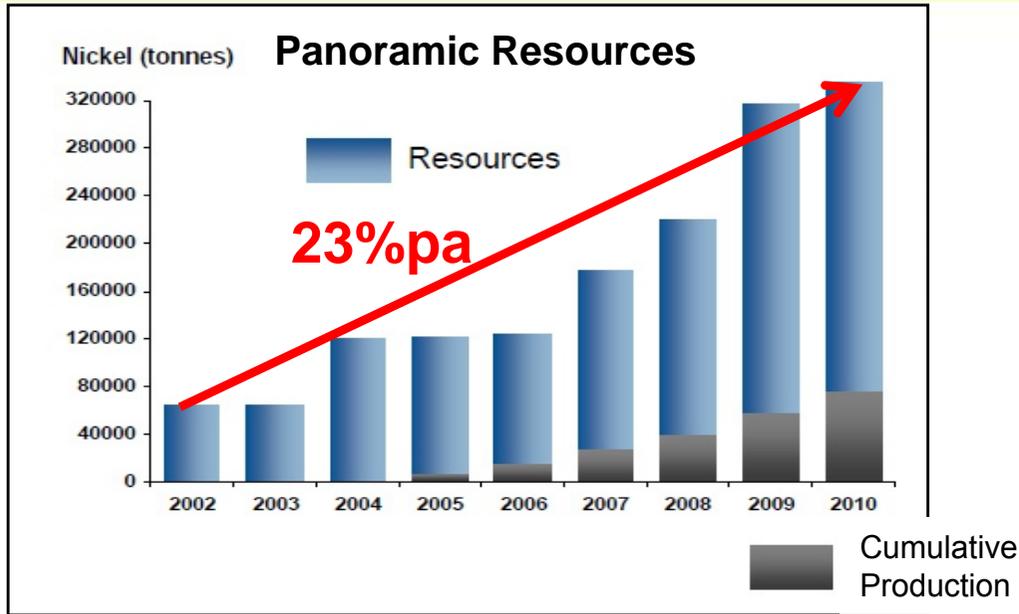
# Poseidon will be a second quartile producer



Brook Hunt C1 Cost Curve\_2012

\*Based on full output. See assumptions book not in presentation  
Poseidon cash cost is average over life of project

# Poseidon confident resource can be grown to extend production in line with peers



Poseidon has mirrored its peers with an annualised growth rate of 26% indicating potential to extend current 10 year mine life



# Poseidon Investment Case



Potential near-term upside on successful project financing



Mt Windarra mine to be returned to production in short term



Credit Suisse retained to secure financing for project



Significant infrastructure already in place at Mt Windarra



Potential for big value gains on future predicted nickel supply shortfall



Robust project financial metrics delivering strong future operating cash flow

# Appendix 1: Notes on DFS Calculations

## NOTES:

1 Total Nickel Ore Processed is the quantity of ore processed over a 10 year period from the Mt Windarra and Cerberus mines. This is based on the LOM schedules prepared by the independent mining engineer and assumes a 2.7 year extension of Windarra's initial resources.

2 Total Gold Tailings Retreatment is the quantity of gold tailings retreated over a 3.2 year period. This is based on the LOM schedule prepared by the independent geological consultant. This excludes the gold recovered through nickel tailings re-treatment.

3 Total Nickel Tailings Retreatment is the quantity of nickel tailings and oxide material from the re-treatment of nickel tailings, low grade nickel in stockpiles in waste dumps and oxide ore stored on site from previous operations. This is based on the LOM schedule prepared by the independent geological consultant. The re-treatment of nickel tailings commences 3.5 years into the project at the completion of gold tailings re-treatment.

4 The Pre-Start Capital Cost includes all capital requirements for pre-start to be spent in the first 18 months of the project to build the nickel concentrator, gold re-treatment facility site services, establishment of the Cerberus box cut, access decline and related services and completing the refurbishment of the Mt Windarra mine including access declines, ventilation, underground crusher station and vertical haulage winder and other infrastructure to complete the operating mine. This excludes on going sustaining capital and mine development over the remaining LOM and capital associated with the nickel tailings re-treatment which is assumed to be funded from free cash flow

5 The Average Operating Cost is an average over the 10 year period of the financial model and stated on a C1 basis which includes mining, flotation concentration, transport, sea freight, administration, royalties (to State and BHPB) and gold credits but excludes smelting and refining charges.

6 Mining Cost (Operating) per tonne is the average operating cost of mining for Mt Windarra and Cerberus over the LOM based on sub-level caving and longitudinal sub-level caving methods respectively. This excludes mine development costs which are capital costs.

7 Processing Cost is the average cost of processing nickel ore through the concentrator plant over the LOM excluding transport costs from Windarra to an offtake party.

8 Total Revenue is the total revenue generated by the Project on a payable basis over the LOM and excluding royalties and other charges and based on the commodity pricing assumptions detailed below.

9 Earnings before interest, tax, depreciation and amortisation ("EBITDA") is the total EBITDA generated over the LOM from the DFS financial model including the options described in this announcement.

10 Net Present Value ("NPV") of the project has been calculated using a pre-tax discount rate of 8%.

11 The Internal Rate of Return ("IRR") of the Project is based on the cashflows generated by the Project under the above assumptions.

# Appendix 2: Resource Statement

## RESERVE STATEMENT

Cerberus Nickel Project	Reserve Category - Nickel Sulphides		
	Probable		
	Tonnes	Ni% Grade	Ni Metal t
Total Sulphide	1,221,000	1.30	15,880

## RESOURCE STATEMENT

Windarra Nickel Project Sulphides	Cut Off Grade	Resource Category								
		Indicated			Inferred			TOTAL		
		Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Mt Windarra	0.75%	974,000	1.25	12,400	2,977,000	1.88	55,900	3,951,000	1.73	68,300
South Windarra	0.80%	772,00	0.98	7,500	-	-	-	772,00	0.98	7,500
Cerberus	0.75%	2,773,000	1.25	34,600	1,778,000	1.91	34,000	4,551,000	1.51	68,600
Total Sulphide		4,519,000	1.21	54,000	4,755,000	1.89	89,900	9,274,000	1.56	144,400

Windarra Gold Tailings Project	Resource Category		
	Indicated		
	Tonnes (kt)	Grade (g/t)	Au (oz)
Total Gold Tailings	10,993	0.52	182,500

*Note: The information in this report relates to Exploration Results, Mineral Resources and Ore Reserves based on information compiled by Mr N Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists, Mr I Glacken who is a Fellow of the Australasian Institute of Mining and Metallurgy as well as a full time employee of Optiro Pty Ltd and Mr D Grubic, Technical Services Manager at Rock Team Pty Ltd. Mr Hutchison and Mr Glacken 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Grubic is a full time employee of Rock Team Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting Ore Reserves." Mr Hutchison, Mr Glacken 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.*

*The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.*



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