

Australia's 'New' Nickel

Annual General Meeting 28 November 2013

David Singleton, MD & CEO

POSEIDONNICKEL

Poseidon's Windarra Project is ready to implement



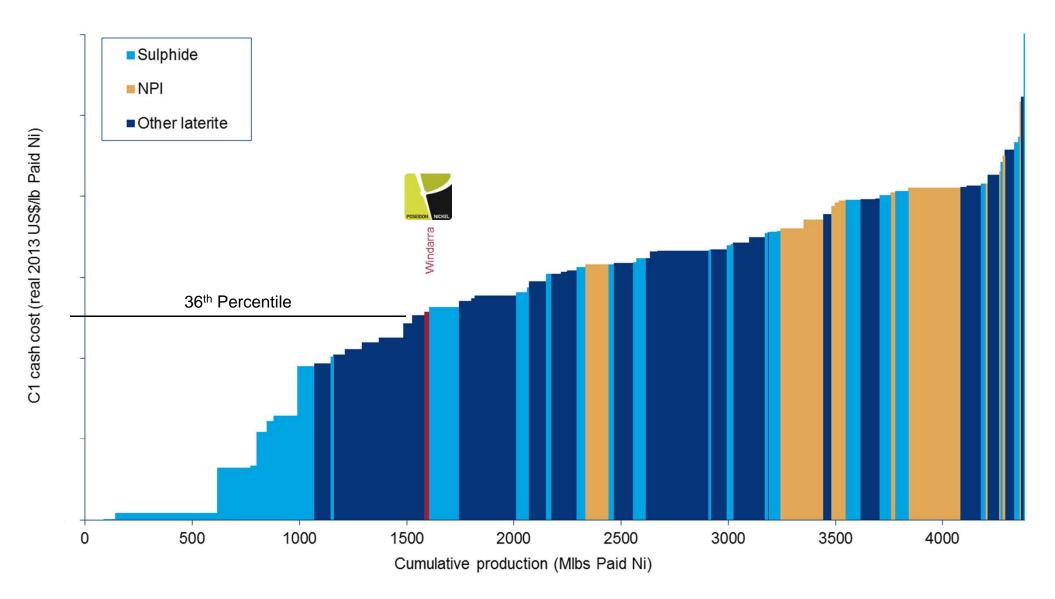




Low Cost



■ Low mining cost drives low C1 cash cost of US\$3.35/lb.



Source: Wood Mackenzie May 2013

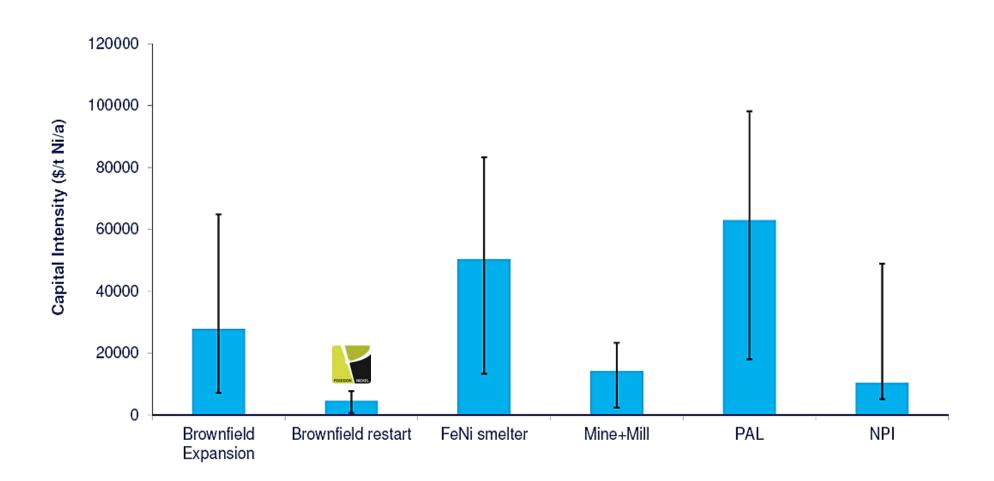
Low Capital Intensity



Low Capital Intensity



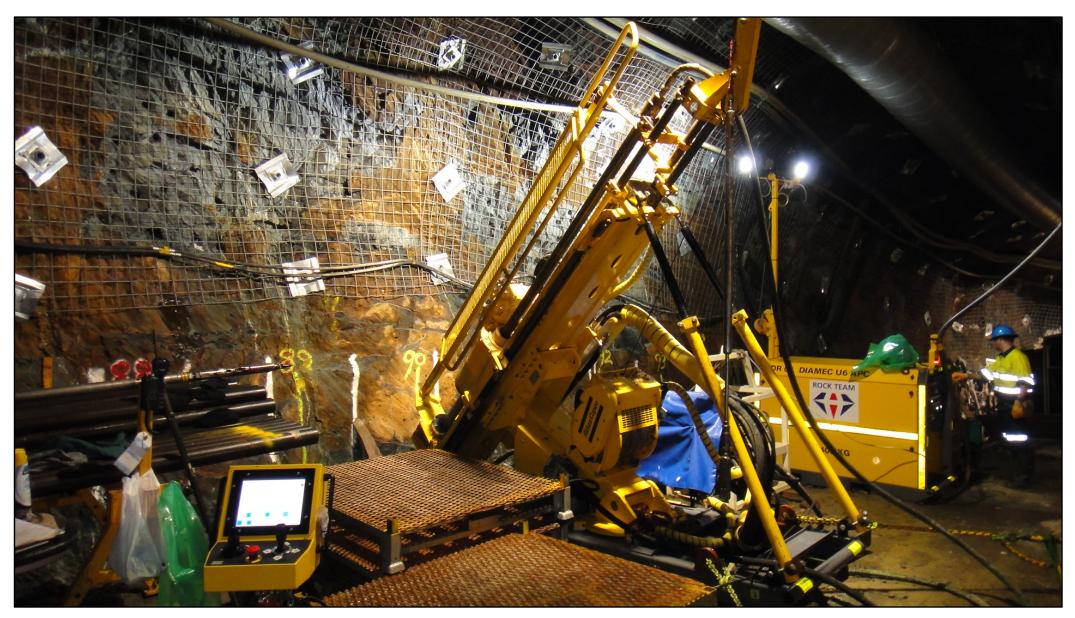
Capital Intensity



Source: Wood Mackenzie

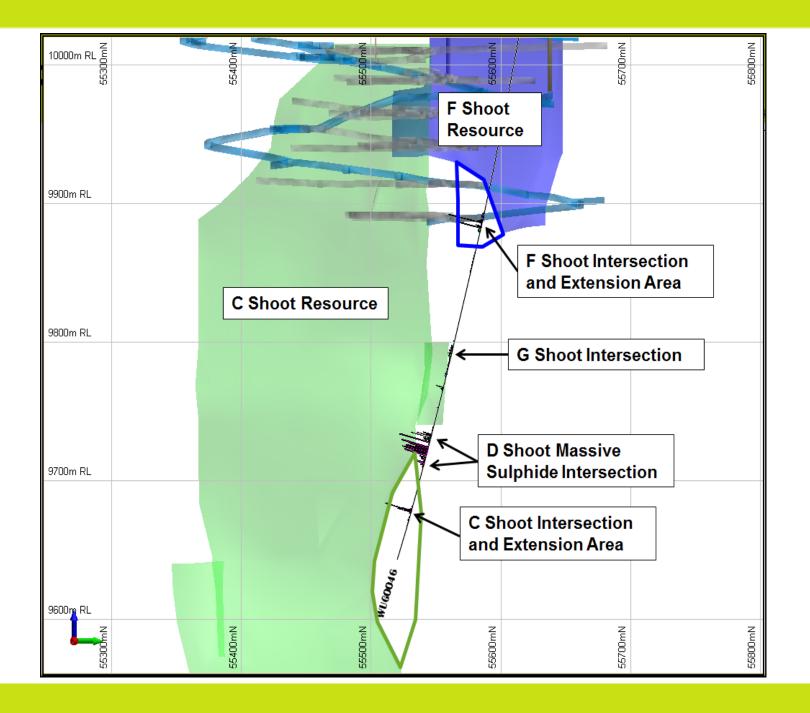
Recent Drilling Programme Indicates Continuing Life Extension





Thick, high grade intercept - 28.5m @ 3.52% Ni (WUG0046)



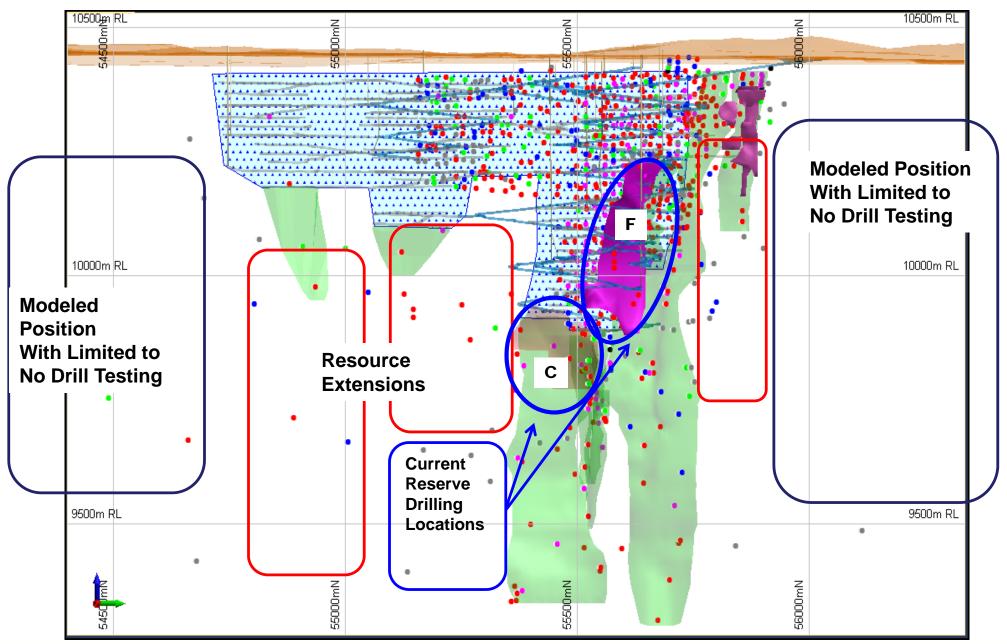


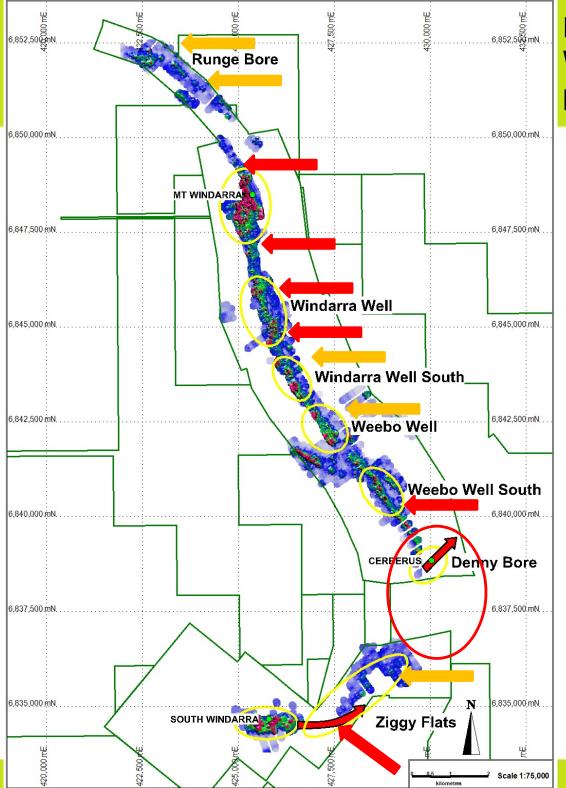
Significant Project Blue Sky Identified



Exploration Upside and Near Mine Targets







Regional Exploration Suggests Windarra is hosted in a nickel province

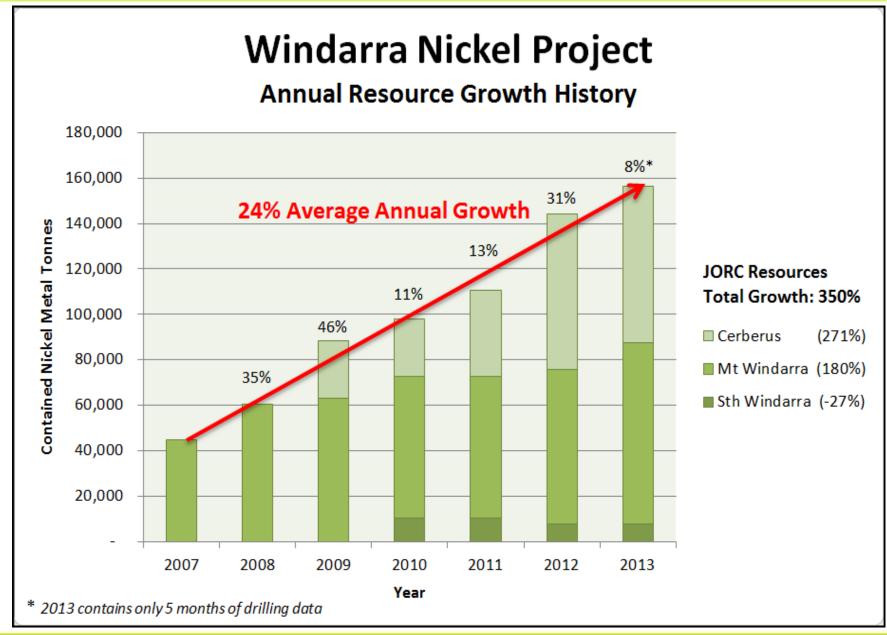
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Priority 1 Targets

- N & S of Mt Windarra
- Windarra Well
- Weebo Well South
- Denny Bore/Cerberus Area
- Ziggy Flats/Sth Windarra Extension

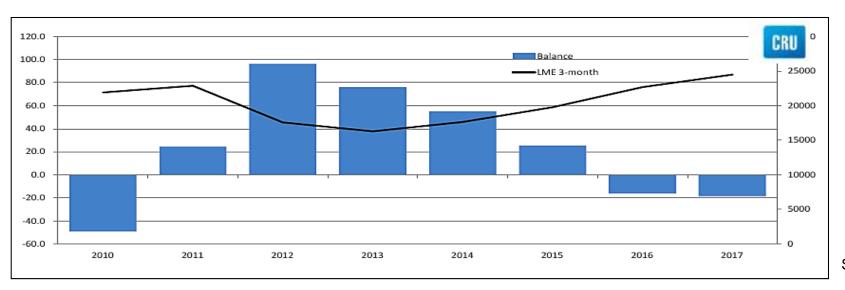
Priority 2 Targets

- Windarra Well South
- Weebo Well Denny Bore/Cerberus Area
- Area north of Ziggy Flats
- Runge Bore

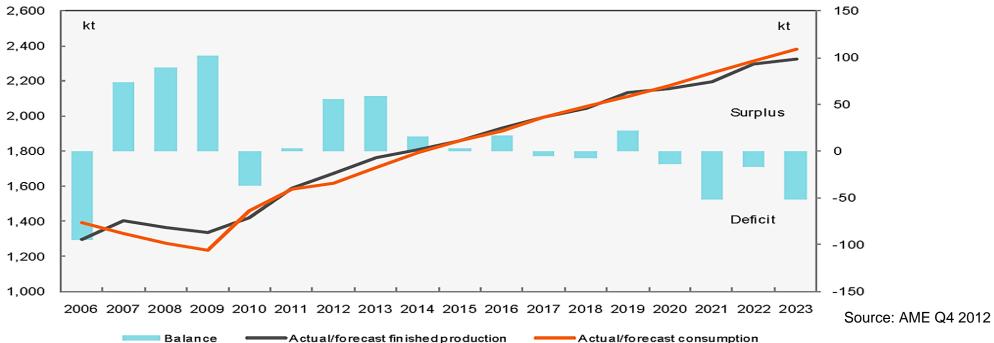


Forecast long term nickel supply shortages



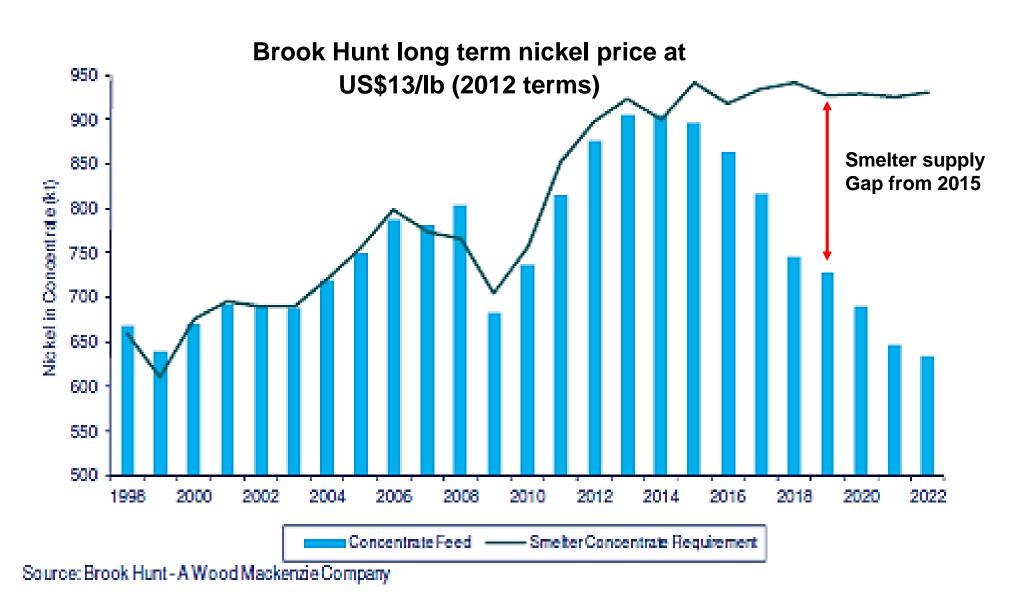






Looming shortage of concentrate from 2015

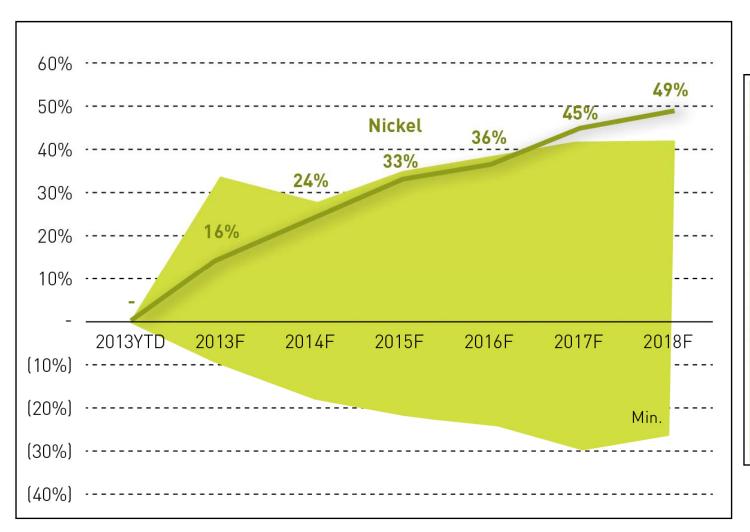




Consensus Economics sees strong upside to Nickel Price

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Commodities & participants surveyed

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, fines)
- Gold
- Silver
- Platinum
- Palladium

Institutions

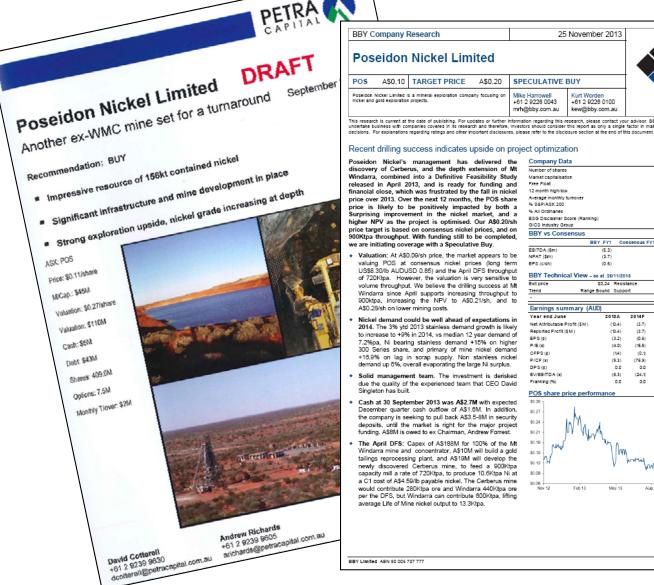
- Barclays Capital
- CIMB Group
- RBC Capital Markets
- Wilson HTM
- Commonwealth Bank
- Euromonitor Int'l
- Morgan Stanley
- BREE
- BNP Paribus
- BIPE
- Investec
- Liberium Capital
- Oxford Economics
- · HIS Global Insight
- Standard Bank
- BoA Merrill Lynch
- Macquarie Bank
- Societe Generale
- HWWI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

Range of other commodities reviewed (excludes Uranium)

Price outlook

Recent Broker Reports value Poseidon at between 21c - 27c with nickel upside





BBY Company Research 25 November 2013 Poseidon Nickel Limited A\$0.10 TARGET PRICE SPECULATIVE BUY +61 2 9226 0043 +61 2 9226 0100 mrh@bby.com.au kew@bby.com.au This research is current at the date of publishing. For undates or further information reparding this research, please contact your advisor. BBV does or seeks to undertake business with companies covered in its research and therefore, investors should consider this report as only a single factor in making their investors

Recent drilling success indicates upside on project optimization

Poseidon Nickel's management has delivered the discovery of Cerberus, and the depth extension of Mt Windarra, combined into a Definitive Feasibility Study released in April 2013, and is ready for funding and financial close, which was frustrated by the fall in nickel price over 2013. Over the next 12 months, the POS share price is likely to be positively impacted by both a Surprising improvement in the nickel market, and a higher NPV as the project is optimised. Our A\$0.20/sh price target is based on consensus nickel prices, and on 900Ktpa throughput. With funding still to be completed. we are initiating coverage with a Speculative Buy.

- Valuation: At A\$0.09/sh price, the market appears to be valuing POS at consensus nickel prices (long term US\$8.30/lb AUDUSD 0.85) and the April DFS throughput of 720Ktpa. However, the valuation is very sensitive to volume throughput. We believe the drilling success at Mt Windarra since April supports increasing throughput to 900ktpa, increasing the NPV to A\$0.21/sh, and to A\$0.28/sh on lower mining costs
- Nickel demand could be well ahead of expectations in 2014. The 3% vtd 2013 stainless demand growth is likely to increase to +9% in 2014, vs median 12 year demand of 7.2%pa, Ni bearing stainless demand +15% on higher 300 Series share, and primary of mine nickel demand +16.9% on lag in scrap supply. Non stainless nickel demand up 6%, overall evaporating the large Ni surplus.
- Solid management team. The investment is derisked due the quality of the experienced team that CEO David Singleton has built
- Cash at 30 September 2013 was A\$2.7M with expected December quarter cash outflow of A\$1.6M. In addition, the company is seeking to pull back A\$3.5-8M in security deposits, until the market is right for the major project funding. A\$8M is owed to ex Chairman, Andrew Forrest.
- The April DFS: Capex of A\$188M for 100% of the Mt Windarra mine and concentrator, A\$10M will build a gold tailings reprocessing plant, and A\$19M will develop the newly discovered Cerberus mine, to feed a 900Ktpa capacity mill a rate of 720Ktpa, to produce 10.6Ktpa Ni at a C1 cost of A\$4.59/lb payable nickel. The Cerberus mine would contribute 280Ktoa ore and Windarra 440Ktoa ore per the DFS, but Windarra can contribute 600Ktpa, lifting average Life of Mine nickel output to 13.3Ktpa.

Number of shares	410N
Market capitalisation	\$39M
Free Float	62.8%
12 month high/low	\$0.30/\$0.09
Average monthly turnover	\$3N
% S&P/ASX 200	n/a
% All Ordinaries	n/a
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Materials

	BBY FY1	Consensus FY1	% Difference
EBITDA (\$m)	(5.3)		
NPAT (\$m)	(3.7)		
EPS (c/sh)	(0.6)		

Exit price	\$0.24	Resistance	\$0.16
Trend	Range Bound	Support	\$0.089
-			

Year end June	2013A	2014F	2016F	2018
Net Attributable Profit (\$M)	(13.4)	(3.7)	(4.0)	(9.
Reported Profit (\$M)	(13.4)	(3.7)	(4.0)	(9.
EP8 (¢)	(3.2)	(0.6)	(0.6)	(1
P/E (x)	(4.0)	(15.5)	(15.9)	(6.
CFPS(¢)	(14)	(0.1)	(2.0)	
P/CF(x)	(9.3)	(76.9)	(4.7)	5
DP3 (¢)	0.0	0.0	0.0	0
EV/EBITDA (x)	(8.3)	(24.1)	(53.2)	9
Franking (%)	0.0	0.0	0.0	0



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## **Share Price Performance compared to WA Nickel Peers**



