

20th May 2015

Poseidon enters into a binding agreement with Caeneus Minerals to mine Silver Swan Underground

Highlights

- **Sale of rights to mine the Silver Swan mine on the Black Swan tenements for A\$1.5m**
- **Reduces project overhead costs to Poseidon by up to \$300,000 per month**
- **Parties to enter into offtake for Silver Swan potentially for the Lake Johnston concentrator**

Poseidon Nickel Limited (ASX:POS or the Company) is pleased to announce 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. 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.

Terms of the Agreement

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.

MINERAL RESOURCE STATEMENT

Table 1: Nickel Projects Mineral Resource Statement (Note: totals may not sum exactly due to rounding)

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

Table 2: Gold Tailings Project Mineral Resource Statement (Note: totals may not sum exactly due to rounding.)

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

ORE RESERVE STATEMENT

Table 3: 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 that relates to the Windarra Nickel Project, Mineral Resources 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 Reserves at the Windarra Nickel Project is based on information compiled by Denis Grubic, who is a Member of The Australasian Institute of Mining and Metallurgy as well as a full time employee of Rock Team Pty Ltd.

The information in this report which relates to the Lake Johnston Mineral Resource is based on information compiled by Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd. The information in this report which relates to the Black Swan Mineral Resource and Ore Reserves is based on information compiled by Andrew Weeks 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 Weeks, Mr Bazin and Mr Grubic 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 Weeks, Mr Bazin 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.

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