

12 February 2014

Company Announcements Officer  
ASX Limited  
Exchange Centre  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

## MARKET UPDATE

Please note that despite the release of the enclosed Announcement; the Securities of Poseidon Nickel Limited (**Poseidon**) **STILL REMAIN** in voluntary suspension.

The subject of this announcement is not the event that will end the voluntary suspension as advised on 28 January and 7 February 2014.

Yours faithfully



**David P.A. Singleton**  
MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER

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### CORPORATE DIRECTORY

#### **Director / Senior Management**

David Singleton	Managing Director & Chief Executive Officer
Bud Scruggs	Non-Executive Chairman
Geoff Brayshaw	Non-Executive Director
Chris Indermaur	Non-Executive Director
Ross Kestel	Company Secretary

#### **Corporate Enquiries**

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#### **Shareholder Enquiries**

Enquiries concerning shareholdings should be addressed to:

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GPO Box D182, Perth WA 6840  
P: 61 8 9323 2000

#### **Principal Office**

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#### **Registered Office**

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#### **Media Enquiries**

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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

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ASX Announcement

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### **Market Update**

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Poseidon Nickel is in negotiations which could lead to an ore tolling and concentrate purchase agreement. If finalised the agreement would allow Poseidon to deliver 350,000 - 700,000 tonnes of ore per annum for an initial period of up to 2 years. The ore would be mined from the existing Mt Windarra mine and shipped for treatment to a third party facility.

Poseidon Nickel has undertaken a substantial life extension and operational readiness programme on the Mt Windarra mine in recent years. In 2013 the company announced the results of a Definitive Feasibility Study (DFS) into commencing production at Mt Windarra and processing the ore through a concentrator to be built at the site primarily because no local concentrator capacity was available. An ore offtake agreement would allow Poseidon to, at least initially, avoid the high capital expenditure of a new plant. The Company already has the vast majority of infrastructure on the Windarra site necessary to restart the mine including adequate power, water, accommodation and mobile capital equipment with only relatively minor additional infrastructure required. The decline to the ore bodies at Mt Windarra has been largely refurbished over the last 3 years although this will need to be completed if a contract is signed. The refurbishment completion is currently estimated to take 3-4 months at which time commercial production can commence.

Poseidon has previously announced that it has received all the necessary development and environmental approvals covering construction and operations at the site, subject to only the company achieving an offtake agreement and the necessary funding to restart operations.

Poseidon has indicated its intention to reprocess gold stockpiles on the site although this is contingent on nickel ore activities. The commencement of mining at Mt Windarra may make gold production economic and the company intends to further review this potential to increase the overall output from the site.

**ORE RESERVE STATEMENT**

Windarra Nickel Sulfides	Reserve Category		
	Probable		
	Tonnes	Ni% Grade	Ni Metal t
Cerberus	1,221,000	1.3	15,900
Mt Windarra	498,000	1.78	8,850
<b>Total</b>	<b>1,719,000</b>	<b>1.44</b>	<b>24,750</b>

**Table 1: Windarra Nickel Project Ore Reserve Statement**

**MINERAL RESOURCE STATEMENT**

Windarra Nickel Project Sulfides	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%	1,217,000	1.39	17,100	3,553,000	1.78	63,100	4,770,000	1.68	80,200
South Windarra	0.80%	772,000	0.98	7,500	-	-	-	772,000	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
<b>Total Sulfide</b>		<b>4,762,000</b>	<b>1.24</b>	<b>59,200</b>	<b>5,331,000</b>	<b>1.82</b>	<b>97,100</b>	<b>10,093,000</b>	<b>1.55</b>	<b>156,300</b>

**Table 2: Windarra Nickel Project Mineral Resource Statement**

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

**Table 3: Windarra Gold Tailings Project Mineral Resource Statement**

*Note: The information in this report that relates to Mineral Resources is 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 and 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.*

*The information in this report that relates to Ore Reserves 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.*

*Mr Hutchison, Mr Glacken 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code 2004). 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.*