

2 October 2014

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

Dear Sir,

Re: POSEIDON SIGNS NICKEL OFFTAKE AGREEMENT

We enclose herewith a copy of an announcement in relation to the above.

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
Chris Indermaur	Non-Executive Chairman
Geoff Brayshaw	Non-Executive Director
Robert Dennis	Non-Executive Director
Ross Kestel	Company Secretary

Corporate Enquiries

Mr David Singleton – MD & CEO
P: 61 8 9382 8799
F: 61 8 9382 4760

E: admin@poseidon-nickel.com.au

Shareholder Enquiries

Enquiries concerning shareholdings should be addressed to:

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

Principal Office

Unit 8, Churchill Court
331-335 Hay Street
SUBIACO WA 6008
P: 61 8 9382 8799
F: 61 8 9382 4760

Registered Office

Level 2, Spectrum
100 Railway Road
SUBIACO WA 6008
P: 61 8 9367 8133
F: 61 8 9367 8812

Media Enquiries

P: 61 8 9382 8799
F: 61 8 9382 4760
E: admin@poseidon-nickel.com.au

Home Exchange

The Company's shares are listed
on the Australian Securities Exchange
and the home exchange is Perth
ASX code: POS

ASX Announcement

2 October 2014

Poseidon signs nickel offtake agreement

- **Poseidon Nickel has signed a conditional offtake agreement with BHP Billiton Nickel West (Nickel West)**
- **Contract is for 2 years and renewable for a further 2 years**
- **Ore from Mt Windarra to be toll treated at Nickel West's Leinster concentrator. Nickel West will purchase all concentrate from the concentrator at an agreed rate**
- **Poseidon retains the option to transport and process additional ore tonnes from Windarra at the Black Swan plant that it is purchasing from Norilsk Nickel**

Poseidon Nickel Limited (**Poseidon**) (ASX:POS) is pleased to announce a conditional offtake agreement with Nickel West. The agreement is in the form of an ore tolling and concentrate purchase agreement (OTCPA). The OTCPA is for the supply of ore to be mined by Poseidon at Windarra and hauled to Nickel West's existing concentrator at Leinster for toll treatment into a smeltable grade concentrate. Nickel West will purchase all of the concentrate produced.

The agreement is the successful culmination of months of work by the two companies including an extensive test work programme to demonstrate the compatibility of the Windarra ore with material treated at Leinster. Poseidon has referred to negotiating with offtake parties for Windarra material in previous Company announcements, and this announcement brings these to a conclusion.

Poseidon CEO, David Singleton said, "The signing of an offtake deal with Nickel West continues a series of strategic steps that we have been committed to over the last year. We have removed the capital funding risk for the Company through the Black Swan acquisition, developed depth to the Company with the acquisition of Lake Johnston, and provided a clear route to market through the offtake arrangement with Nickel West. We thoroughly believe, like most analysts, in the future of the nickel market, given renewed strength in demand for nickel and limited new supply, and believe that Poseidon is now well structured to grow into that market"

The OTCPA is for an initial period of 2 years, ending in February 2017, with first ore deliveries due no later than February 2015, subject to satisfaction of condition precedents including the parties obtaining necessary regulatory approvals. Nickel West has the option to extend the contract term by 1 or 2 contract years. The contract is for a minimum quantity of 350,000 tonnes of ore per annum and a maximum of 500,000 tonnes which can be extended to 700,000 tonnes by mutual agreement. The ore will be mined at the Mt Windarra site and transported to Nickel West's Leinster facility for concentrating.

Poseidon will pay a treatment charge to Nickel West for every tonne of ore processed to be offset against payments by Nickel West for the concentrate produced. The processing of ore at Leinster reduces the costs of commencing operations at Windarra to approximately \$11m plus working capital, from the previously reported figure of \$290m. The company is well progressed on funding options to support the commencement of ore deliveries in the timescales envisaged.

Poseidon has previously announced its intention to mine at Windarra and ship ore to the Black Swan plant that the Company is currently purchasing from Norilsk Nickel. Poseidon has sufficient production capacity between its Mt Windarra and Cerberus ore bodies to deliver both to Nickel West and to Black Swan.

ORE RESERVE STATEMENT

Windarra Nickel Sulphides	Ore Reserve Category (JORC 2004)		
	Probable		
	Tonnes	Ni% Grade	Ni Metal t
Cerberus	1,221,000	1.3	16,000
Mt Windarra	498,000	1.78	9,000
Total	1,719,000	1.44	25,000

Table 1: Windarra Nickel Project Ore Reserve Statement

MINERAL RESOURCE STATEMENT

Windarra Nickel Project Sulphides	Cut Off Grade	Mineral Resource Category (JORC 2004)								
		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	17,000	3,553,000	1.78	63,000	4,770,000	1.68	80,000
South Windarra	0.80%	772,000	0.98	8,000	-	-	-	772,000	0.98	8,000
Cerberus	0.75%	2,773,000	1.25	35,000	1,778,000	1.91	34,000	4,551,000	1.51	69,000
Total Sulphide		4,762,000	1.24	60,000	5,331,000	1.82	97,000	10,093,000	1.55	157,000

Black Swan Nickel Project Sulphides	Cut Off Grade	Mineral Resource Category (JORC 2012)								
		Measured & Indicated			Inferred			TOTAL		
		Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Black Swan	0.40%	9,600,000	0.68	64,900	21,100,000	0.54	113,800	30,700,000	0.58	178,700
Total Black Swan		9,600,000	0.68	64,900	21,100,000	0.54	113,800	30,700,000	0.58	178,700

Table 2: Windarra and Black Swan Nickel Project Mineral Resource Statement

Windarra Gold Tailings Project	Mineral Resource Category (JORC 2004)		
	Indicated		
	Tonnes (kt)	Grade (g/t)	Au (oz)
Total Gold Tailings	11,000	0.52	183,000

Table 3: Windarra Gold Tailings Project Mineral Resource Statement

Note: Totals in the tables may not be mathematically accurate due to JORC rounding requirements.

Notes

The information in this report which relates to the Black Swan Mineral Resource is based on information compiled by Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd, and Member of the Australasian Institute of Mining and Metallurgy. Andrew Weeks has sufficient relevant experience to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012).

The information in this report that relates to the Windarra Nickel Project, Mineral Resources is based on information compiled by Mr Neil 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 at the Windarra Nickel Project is based on information compiled by Mr 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, Mr Weeks 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, Mr Weeks 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.

Mineral Resources in this document are reported under JORC 2004 Guidelines as there has been no Material Change or Re-estimation of the Mineral Resource 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.