

14th September 2015

Silver Swan and Funds Received

Highlights

- **Caeneus option over Silver Swan has lapsed**
- **Poseidon reviewing Silver Swan mine with aim to restart and thereby fund company care and maintenance costs**
- **Silver Swan was one of the World's highest grade nickel mines with historic resource grades between 8% and 12%**
- **Restart study underway with initial results in one month**
- **A\$1.66m cash received from other activities**

Poseidon Nickel Limited (ASX:POS or the Company) is pleased to provide the following update in relation to the option to sell the rights to its wholly owned Silver Swan project to Caeneus Minerals Limited (Caeneus). The option is due to expire on 14th September 2015.

Caeneus has informed Poseidon that due to its inability to source project finance during this period of the commodity cycle, it will not be able to meet the commercial terms of the option. Accordingly, the Caeneus option has lapsed. Under the terms of the agreement, Caeneus remains responsible for a payment to Poseidon estimated at \$950,000 in either cash or shares at Poseidon's election.

Poseidon is developing an alternate strategy for Silver Swan to support its own activities. Poseidon believes that Silver Swan may be able to produce sufficient cash flow, even at current nickel prices, to at least fund the care and maintenance costs of all of its operations through this period of very weak commodity prices.

Silver Swan has historically been the highest grade nickel mine in Australia with annual production grades across the life of the mine typically in the range of 8% to 12% nickel. Recently, Caeneus minerals announced a non-JORC Indicated and Inferred estimate of contained nickel between a depth of 1,300m and 1,600m underground. It was reported that Norilsk estimated these numbers in 2008 and Golder Associates reviewed them in 2011 (refer to the relevant ASX announcement on the Caeneus website dated 9th July 2015 but unable to be reprinted here due to requirements under the JORC code until the resource has been re-estimated to JORC 2012).

Poseidon has not completed an assessment on the resource and cannot confirm the estimates reported by Caeneus. The Company is now undertaking the necessary geological assessments, in accordance with the JORC 2012 code, to verify or otherwise these historic

estimates and is confident that it will publish its resource estimate and competent person's statement within one month.

Caeneus have also reported that mining operations underground being conducted by Norilsk were suspended just as one access drive had intersected mineralisation and two other access drives were within 4m and 36m of the mineralisation in the Tundra block which is believed to contain the majority of the Indicated Resource. Access drives to the Goose and Peking Duck blocks had also commenced, see Figure 1 below. Poseidon is now reviewing the project to confirm this assessment and will prepare an estimate for capital and operating costs associated with restarting operations. Reviews underground using independent experts have already commenced.

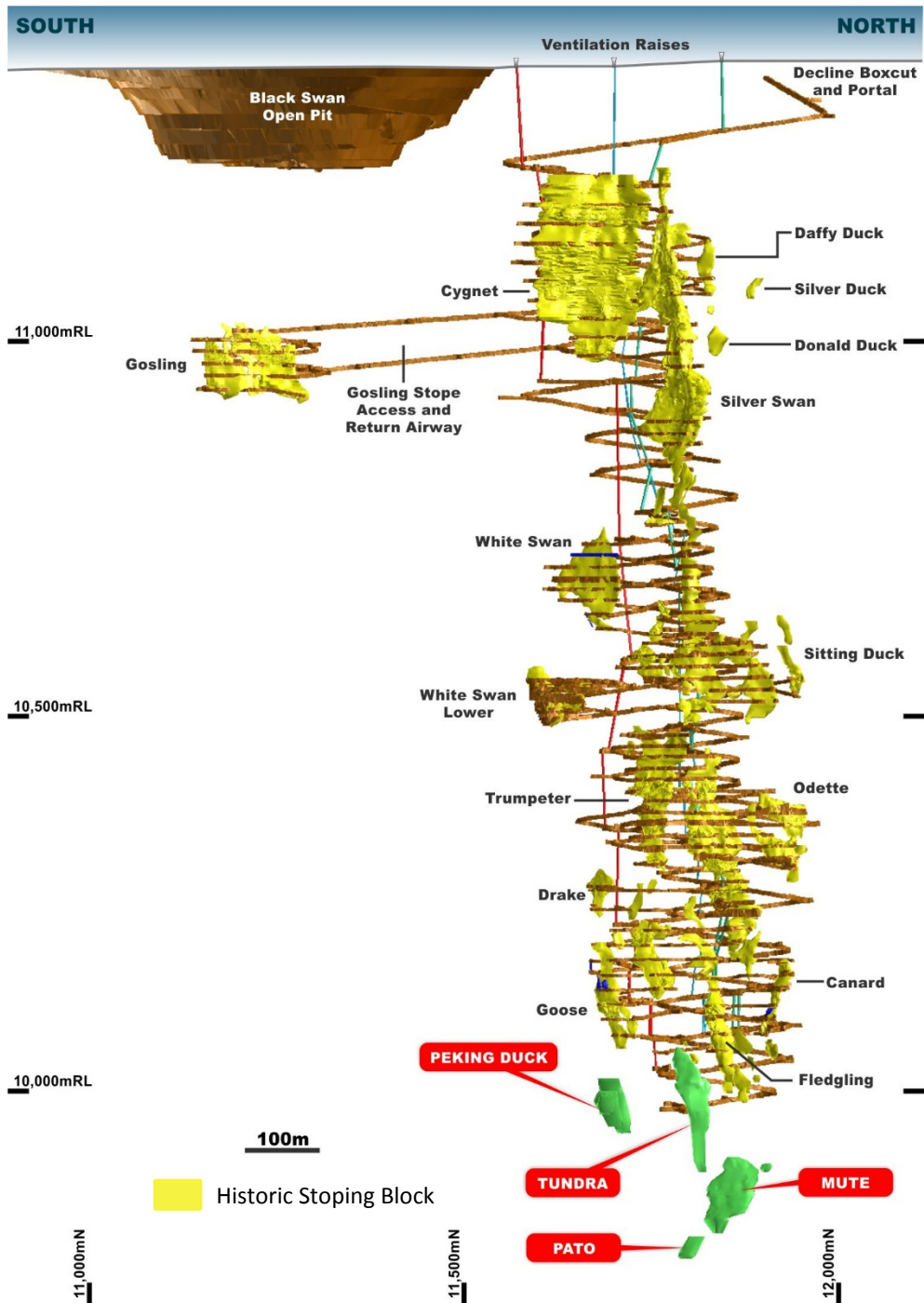
Accordingly, Poseidon intends to proceed with the following steps:

- Develop and publish a JORC 2012 compliant resource for Silver Swan within 1 month
- Produce a restart feasibility study to determine, to a reasonable degree of accuracy, the operating costs, capital costs and potential production levels from the mine within 2 months
- Apply for operating permits for the mine in anticipation of a possible decision to commence small scale operations

Poseidon's primary strategy remains the commencement of operations initially at Lake Johnston however, the opportunity to undertake limited operations at Silver Swan in the interim may provide a step to this whilst nickel prices remain subdued. The potentially very high grades at Silver Swan mean that the mine may be economic even at current prices and therefore provide some operating income.

Poseidon has also received approximately A\$1.66m which includes a payment for the sale of concentrate to Tsingshan in China of A\$1m. In addition, an outstanding sum of A\$660,000 from the last capital raising has now been recovered. All funds from the October 2014 capital raising have now been received and no further action is underway.

Figure 1: Long section showing the entire Black Swan complex, including the Silver Swan mineralisation at depth and the Black Swan open pit above.



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