

16th December 2016

POSEIDON AWARDED \$150,000 EIS GRANT FUNDING FOR DRILLING THE ABI ROSE NICKEL DISCOVERY AT LAKE JOHNSTON

Highlights

- **Poseidon secures \$150,000 funding via the Department of Mines and Petroleum (DMP) Exploration Incentive Scheme (EIS)**
- **The DMP will co-fund 50% of a drilling costs to further test Abi Rose nickel discovery at Lake Johnston**
- **Abi Rose was discovered in 2015/2016 as a result of a previous EIS co-funding grant and is located to the north of the Emily Ann mine which averaged a resource grade of 4.1% nickel and produced 46,000 tonnes of nickel**
- **An airborne magnetic and radiometric survey has been commissioned covering the prospective Abi Rose target areas and lithium fertile areas**

Poseidon Nickel Limited (ASX:POS, Poseidon or the Company) is pleased to announce it has secured a co-funding grant of \$150,000 under the Western Australian Government's Exploration Incentive Scheme (EIS). The funding was awarded for further drilling at the Company's Abi Rose high-grade nickel discovery, located within the Lake Johnston Project, 190km south-west of Kalgoorlie in Western Australia.

Three carefully targeted diamond drill holes were completed in 2015-2016, 360m north of the Emily Ann mine under the previous EIS co-funded grant. The high-grade Abi Rose nickel mineralisation was discovered 390m below the surface with a best intersection of **10.48m grading 3.20% Ni** which includes a massive sulphide base grading **2.32m at 7.62% Ni** (refer ASX Announcement dated 25/1/16: Significant High Grade Nickel Intersection at Emily Ann North).

However, the drilling which discovered Abi Rose raises more questions as to the origin of the sulphide. Emily Ann has historically been considered a structurally deformed komatiite hosted deposit. Conversely, the drilling that discovered Abi Rose indicates that the sulphides are hosted within an intrusive ultramafic sill which demonstrates cumulates within its core and sulphide settling at its base. The upper and lower margins exhibit chill zones and alteration halos where it has come into contact with the earlier in-situ felsic volcanics which host the ultramafic intrusion. The felsic volcanic rocks have been overturned during earlier regional deformation, however the ultramafic sill is right-way up and cross-cuts stratigraphy, contradicting the historical recumbent folding model previously used to explain the Emily Ann ore body.

There is insufficient drilling to confirm either model so Poseidon was successfully awarded the EIS grant to complete more holes further afield in order to collect enough geological data to determine the correct ore formation model for future deposit discoveries and the

expansion of Abi Rose. This opens up further opportunities for mineralisation to be discovered in other structurally favourable positions along the belt.

The discovery of this new lens of nickel mineralisation has the potential to develop into an economically viable project as it is located close to the existing Emily Ann Mine infrastructure and the Lake Johnston nickel concentrator.

In addition Poseidon, in conjunction with surrounding tenement holders, has commissioned MagSpec Airborne Surveys to complete an aerial-magnetic and radiometric survey over the northern portion on the Lake Johnston tenement package (Figure 1). The survey covers the Emily Ann - Abi Rose area as well as the Lithium Project area. The magnetic survey will assist in interpreting the structural model that Poseidon's geologists are proposing for Abi Rose, as well as defining potential structural repetitions. The radiometric data will be valuable in mapping and identifying pegmatites (yellow line in Figure 1) within the lithium pegmatite project area as the pegmatites emit low level signals of potassium, thorium and uranium which can be detected by the sensitive airborne equipment. This will be combined with the geochemical data already collected to prioritise drill targets and identify additional new targets.

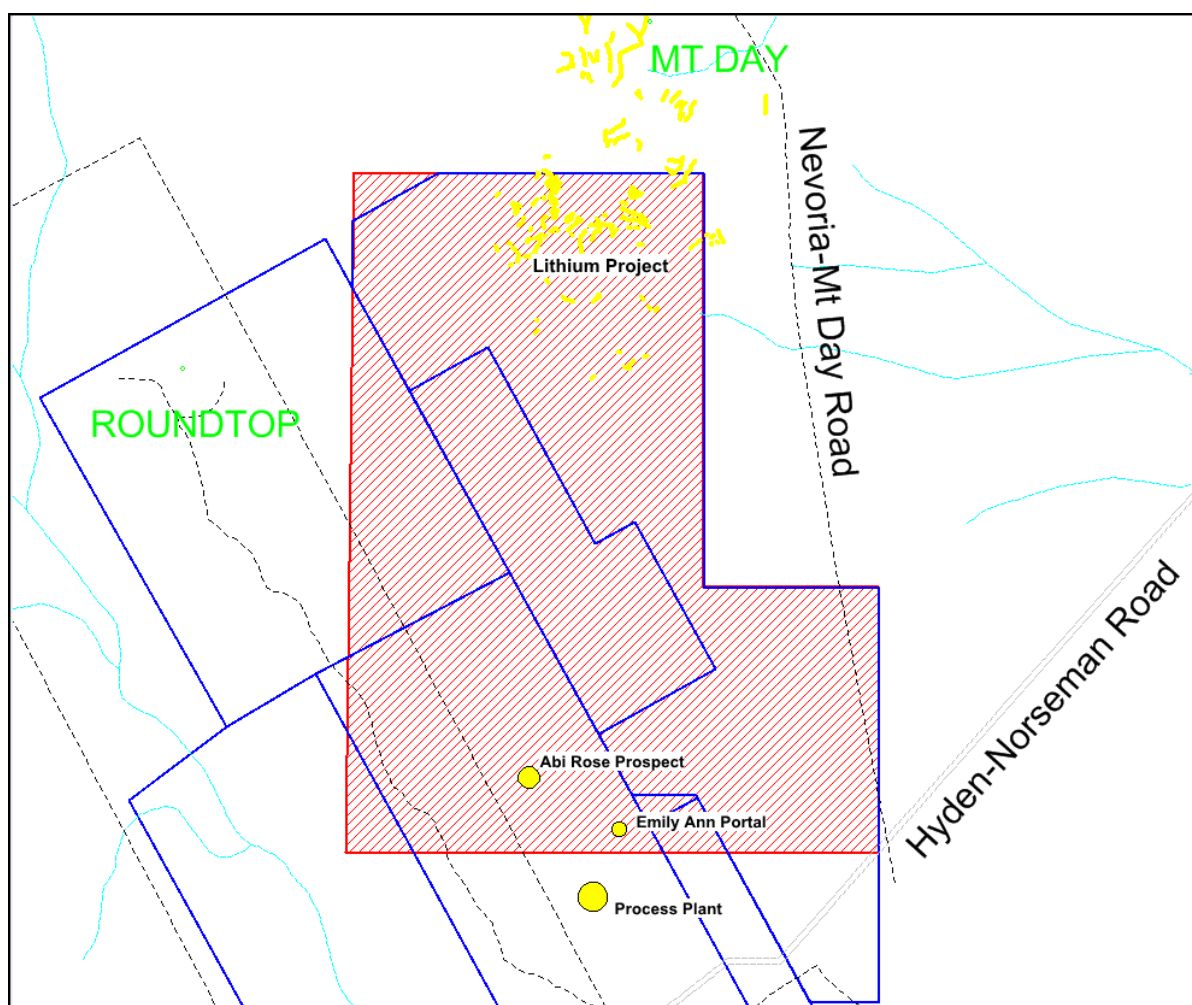


Figure 1: MagSpec Airborne Survey Area

CORPORATE DIRECTORY

Director / Senior Management

Chris Indermaur	Non-Executive Chairman
David Singleton	Non-Executive Director
Geoff Brayshaw	Non-Executive Director
Robert Dennis	Non-Executive Director
Gareth Jones	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