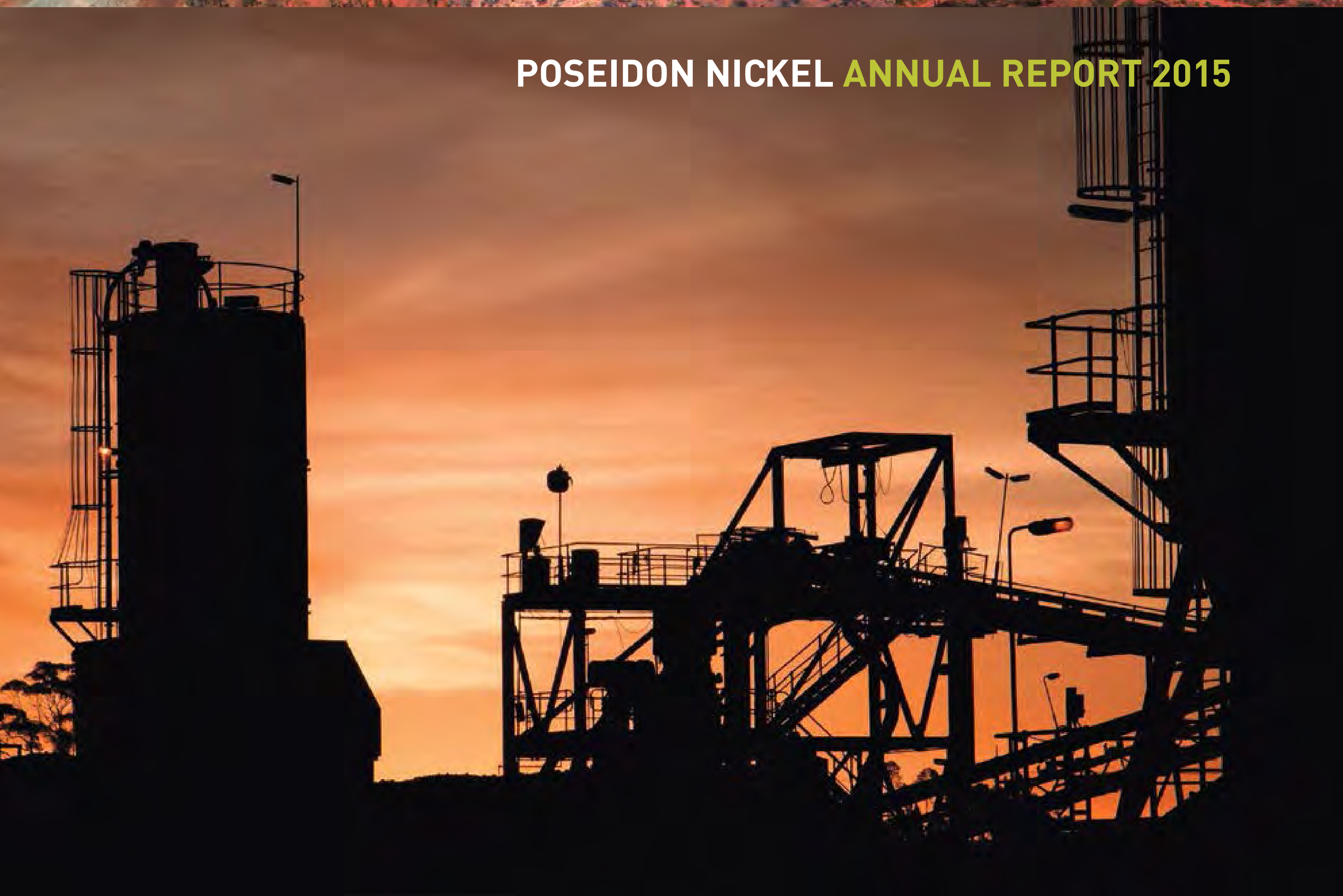
POSEIDON NICKEL

AUSTRALIA'S NEW NICKEL

POSEIDON NICKEL ANNUAL REPORT 2015



**"3 PRODUCTION-READY NICKEL PROJECTS.
6 MINES WITHIN 300KM RADIUS.
380,000 TONNES NICKEL RESOURCE.
EXPERIENCED AND COMMITTED MANAGEMENT.
WE ARE AUSTRALIA'S NEW NICKEL."**

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Photography by Craig Kinder (F22) and Poseidon Nickel employees.

POSEIDON NICKEL ONLINE:
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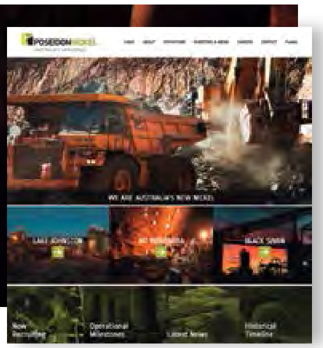
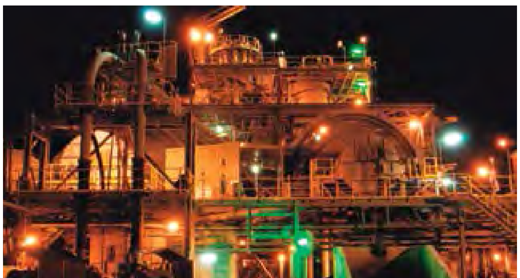
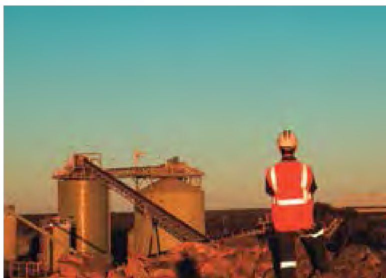
www.poseidon-nickel.com.au



OUR MANAGEMENT TEAM HAVE BEEN WORKING SOLIDLY TO CAPITALISE ON THE PURCHASE OF THE BLACK SWAN AND LAKE JOHNSTON ASSETS.





The population of the world is rising. Chinese and Indian people aspire to a first world standard of living. They will need stainless steel in their domestic products and nickel is an irreplaceable component of that stainless steel. There will be an increase in nickel demand over time even though at current nickel prices, producers are reducing supply.

At some point increasing demand and falling supply will result in an increase in nickel prices. We, at Poseidon, along with most commodity analysts, have been surprised at the slump in the nickel price and the duration of that slump. We are confident, along with the same analysts, that the nickel price will rebound.

We are using the current delay in our production plans to prepare for production when the rebound occurs. We intend to go into production at a lower cost than previously estimated due to savings we have been able to arrange during the delay. Our management team have been working solidly to capitalise on the purchase of the Black Swan and Lake Johnston assets which have transformed Poseidon into a potentially significant nickel producer.

During the delay we have reduced expenditure to manage our cash position. We have reluctantly had to lay off good staff. The remaining staff and directors have taken a pay cut while we are in this downturn. Each line item of our running costs is being scrutinised and pruned as far as possible.

As the nickel price recovers it will reach a price at which production is viable. We are working to make that price as low as possible.

We intend to initially restart the Maggie Hays mine and Lake Johnston process plant possibly supplemented by stockpiled ore trucked from Black Swan. We expect that production will start about 4 months from the decision. The next step will be to restart the Black Swan mine and process plant possibly supplemented by ore from Windarra.

The fall in the share price in the later part of the year is regrettable and the disappointment is shared by the senior staff and directors who all have substantial shareholdings. While the world economy and nickel price is out of our control, I can assure shareholders that all that can be done is being done to prepare for the earliest possible production start at the lowest possible cost.

CHRIS INDERMAUR
NON-EXECUTIVE CHAIRMAN

We have undertaken refurbishment work at Lake Johnston so we have a good insight into its condition and know it will function well when it is required. Care has been taken to ensure that when the plant is opened, it will come on stream quickly.

"ALL THAT CAN BE DONE IS BEING DONE TO PREPARE FOR THE EARLIEST POSSIBLE PRODUCTION START AT THE LOWEST POSSIBLE COST."

WE AVOIDED EXPENSIVE ACQUISITIONS DURING THE BOOM BUT LAID THE GROUNDWORK WHICH MEANT WE COULD MOVE DECISIVELY WHEN ASSET PRICES REDUCED.

Silver Swan: Goose 10170 level (now mined) showing high grade massive nickel sulphide (~13% Ni) in the ore drive.

In the 2014/2015 financial year we completed on the project acquisitions which have transformed our company from a nickel explorer to a multi-site nickel developer. The acquisitions of Lake Johnston and Black Swan means that we now have the second largest nickel sulphide processing capacity in Australia after BHP Nickel West, 6 significant ore bodies on 3 sites and extensive further exploration potential that can last for decades into the future.

The activity during the year has focussed on integrating the new acquisitions into the Company and undertaking the regulatory, technical and commercial work necessary to bring these sites back into production. This activity was undertaken not only with a high level of energy but with a focus on innovating better solutions to support us in what is a much more cost competitive world.

LAKE JOHNSTON

Poseidon completed the purchase of Lake Johnston in November 2014 and published the initial mineral Resource and project restart feasibility study the following month. By March of 2015 we announced the identification of a new mineralised zone to the west of the main ore body and a 50% increase in the Indicated resources from that known at the time of the acquisition. By May 2015, we had completed the Definitive Feasibility Study (DFS) covering the recommencement of production and had sold concentrate from the operation to Tsingshan in China. At every stage we completed significant steps ahead of schedule with results that delivered well against even our own lofty expectations. I have no doubt that other than for the poor commodity price (more of that later), Lake Johnston would now have been sprinting into full scale production. We see Lake Johnston as a key strategic asset, with a good initial reserve life, highly prospective life extension opportunities and some of the best high grade exploration potential in the WA region (see exploration review in this report by the General Manager Geology).

Lake Johnston is planned to be our first project into production and in doing so will herald the final stage in our move from explorer to developer.

BLACK SWAN

The activity on our Black Swan acquisition has been equally energetic. By the time we completed on the acquisition in March 2015, we had already announced a JORC compliant Reserve and a feasibility study into the restart of operations. The primary purpose of the acquisition was to allow us the option to blend ore from the site with ore from our Windarra facility using the

D DETERMINATION
I IMAGINATION
C CONFIDENCE
E EVERYONE HAS A VOICE

DICE is Poseidon Nickel's Core Values initiative. It has been designed to define our organisational character and culture, creating an environment of possibility and a place where people can thrive. DICE draws us together and guides our individual and team behaviours in everything we approach, undertake and accomplish.

DICE is so effectively imbued in our daily rituals that it has become unconsciously practiced. We are characteristically determined; we are innovative at every turn. As we grow, the DICE philosophy will be replicated through great leadership to new recruits and so the story will expand and unfold to something extraordinary.

"SILVER SWAN WAS THE HIGHEST GRADE NICKEL PRODUCTION MINE IN THE WORLD WITH AVERAGE IN-GROUND RESOURCE GRADES OVER 12% NICKEL."




concentrator at Black Swan. It had been our previous intention to process Windarra ore at BHP's Leinster facility but a failure to gain regulatory approval in reasonable time led Poseidon to focus on Black Swan as a processing option. Whilst the Leinster option would have required less capital (because of the existing functional concentrator) the Black Swan Processing option is a good one which leaves the control of the supply fully in the hands of Poseidon. Processing costs at Black Swan will be significantly lower than Leinster, output tonnages higher (because of the blending of Black Swan ore) and payables for nickel higher. Whilst we have a cost related to trucking Windarra ore, that is more than offset by the advantages of using the Black Swan concentrator. Black Swan is itself a major ore body with 178,700 tonnes of nickel in Resource of which 21,500 tonnes are in the JORC Reserve category. We envisage that Black Swan and Windarra will be put back into operation after Lake Johnston has been fully restarted and we have already commenced offtake discussions. It is worth remembering that on the Black Swan site is the Silver Swan underground mine. Whilst it is one of WA's deeper mines it is probably the highest grade nickel mine the world has ever seen. It averaged over 8% nickel with some years over 12% with a resource grade up to 3 times as high as the next highest grade mine in Australia. We believe that this mine may well have more to give and at these grades will be very economic even at lower output tonnages.

THE NICKEL WORLD

The team is justifiably proud of the fact that it has more than met its objectives at the two new acquisitions and was rapidly moving Lake Johnston into production. It has however, been a year that whilst everything we control has gone well, almost everything we cannot control has gone badly.

The US dollar denominated nickel price fell from circa US$8.50/lb at the start of the financial year to US$5.00/lb by the end and has continued to drop since then. Whilst a weakening Australian dollar has helped ameliorate the situation to some extent, the reality is that the drop has been catastrophic for much of the industry. Closer analysis however shows clearly that the thesis on tightening supply of nickel into the market has held true. Indonesia has stopped unprocessed ore exports, other supplies have not filled the gap and as a result, Chinese nickel pig iron (NPI) production was down 30% from its peak at the end of the 2013 calendar year. This reverses a previous dynamic of large year on year increases in NPI output which has resulted in recent step changes in ferro nickel and LME grade metal imports into China to fill the gap. What hasn't gone to forecast is Chinese demand which, after years of continued growth, has underperformed expectations. Whilst it would appear that base metals have found a base, a major upward re-pricing cannot be guaranteed and so reviewing cost structures is now critical.

Our focus now is on these project cost reductions, some of which will be drawn from the lower cost environment that the Australian Mining Industry has entered after years of high inflation. We are working on several projects to reduce the all in sustaining cost of production at Lake Johnston to below US$5/lb using standard methodologies and others that are significantly more innovative. Our major costs inputs are labour, power (from diesel) and depreciation of plant and equipment. In all cases, we are seeing dramatic decreases in these costs through, for instance, alternate shift patterns, lower world oil costs and better utilisation and availability of plant. The continuing weakness of the Australian dollar will also help but it is incumbent on us to manage down every cost that we face. This maybe the new reality and so we will work to meet its challenge.

We refurbished the concentrate circuit at Lake Johnston to a full operating standard and processed over 2,000 tonnes of concentrate that was sold and shipped to China.

STRATEGY

One of the great strengths of this company has always been its people and their absolute determination to succeed. The mining industry operates in such volatile markets and people need to consistently prepare for and react to the new reality whatever that may be. This company avoided expensive acquisitions during the boom but laid the groundwork which meant we could move decisively when asset prices reduced. We had looked hard at Lake Johnston and Black Swan (amongst others) for several years before completing the purchase and so we knew them well.

People sometimes see assets that have previously been in operation as old and tired. We see them as well known, low risk, reliable and full of potential. Investors see them as a safe bet if we are able to re-imagine them and re-energise them. It is remarkable how often you hear seasoned professionals in the industry denigrate existing assets even though, particularly in nickel, there are many examples of old assets with extensive and ongoing life extension. The famous producers of Western Australia today all have assets which have extended well beyond their original life and indeed have, for many, been resurrected from the seemingly dead. That's why our strategy is focussed on the recommencement of operations at existing producers in Australia where project risk capital and operating costs are low. A critical element of this strategy is to acquire projects with high levels of geological prospectivity likely to lead to a substantial extension of the projects life. If you look at Windarra, Lake Johnston and in the future, Black Swan and Silver Swan, this is exactly what we have done. When the things we cannot control, namely the nickel price, move in our favour, as it surely must, we will be very well positioned.

DAVID SINGLETON
MANAGING DIRECTOR & CEO

POSEIDON HAS ONE OF THE LARGEST NICKEL RESOURCES IN AUSTRALIA.

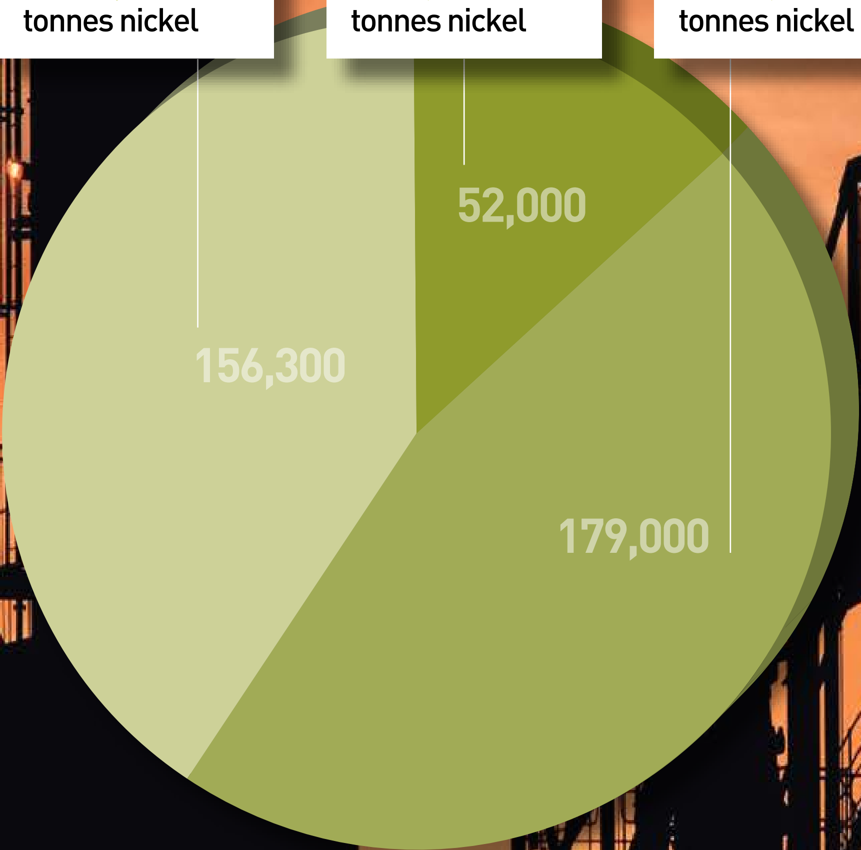
POSEIDON'S NICKEL PROJECTS IN WESTERN AUSTRALIA

MT WINDARRA
10m tonnes
@ 1.55%
for 156,300
tonnes nickel

LAKE JOHNSTON
3.5m tonnes
@ 1.49%
for 52,000
tonnes nickel

BLACK SWAN
31m tonnes
@ 0.58%
for 179,000
tonnes nickel

SILVER SWAN
Historic resource
upgrades to
12% nickel*



380,000t
TOTAL

*At time of publication a JORC 2012 resource had not been published.

This year has been an exciting period for our company with the purchase and safe handover of the Lake Johnston and Black Swan Nickel Operations that underpinned our transformation to Australia's New Nickel.

The acquisition and integration of the Lake Johnston and Black Swan Nickel operations was a key focus for our company during the year. Similarly our environmental compliance following handover of the Lake Johnston and Black Swan operations was also key in integrating all three sites. We remain committed to introducing our safety and sustainable low impact environmental culture at all of our mine sites. This ensures our safety and environmental management is aligned at all of our operations.

Poseidon Nickel experienced one lost time incident and two medically treated incidents across our three sites at Lake Johnston, Black Swan and Windarra nickel operations; a satisfactory result given the increased complexity to our business. We are committed to continuously improving our performance with the support of improved systems, procedures and our people.

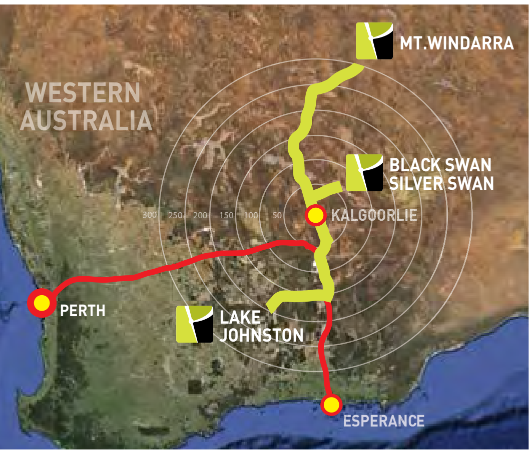
Upon securing the Lake Johnston and Black Swan operations we proactively engaged with the local communities within our three nickel regions in Western Australia, forging strong relationships with key stakeholders such as the local Shires, Port Authority and Main Roads, regularly briefing and updating them on our company's progress.

LAKE JOHNSTON REFURBISHMENT

During the year we reported that we achieved good progress on the refurbishment of the Lake Johnston nickel concentrator. A number of engineering companies were approached to review the operation and prepare a detailed costing for the refurbishment of the surface plant, infrastructure and underground mine. With the support of our dedicated team we were able to progress the works at Lake Johnston. Unfortunately due to the downturn in the nickel market, we placed the refurbishment on hold pending an improvement. Importantly, we completed refurbishment of the plant and equipment at Lake Johnston in preparation for process plant trials and we also recovered our first concentrate, a great achievement and significant milestone for our company. The concentrate off-take was placed overseas to a third party capable of processing the concentrate.

When you live in one of the world's most environmentally conscious countries you are influenced by the need to minimise the impact of mining on the landscape. We take that consciousness into our daily work.

"WE REMAIN POISED TO EXECUTE OUR RESTART STRATEGY BASED ON SOUND MARKET FUNDAMENTALS AND AN INTEGRATED RESTART PLAN."



WINDARRA/BLACK SWAN

Following successful execution of the contract to supply up to 700,000 tonnes per annum of ore from Windarra to a third party concentrator, Poseidon progressed dewatering and underground mine refurbishment, in preparation for restarting underground mining at Windarra, and processing the ore at a third party facility. A number of challenges associated with the State Act and market factors forced Poseidon to allow the ore off-take agreement to lapse.

A Prefeasibility Study was completed during the year to supply Windarra ore to our Black Swan operation for co-processing with Black Swan stock piled and open pit ore through the Black Swan concentrator. The business case for transportation and processing of Windarra ore at Black Swan has similar economics to treating the ore at a third party facility. This option is being considered and is the subject of further research.

We continue to hold three of our nickel operations on care and maintenance and in good standing.

RESEARCH AND DEVELOPMENT

Whilst the nickel market volatility is clearly disappointing, as it has slowed our progress to become Australia's New Nickel, the downturn has facilitated a thorough review of our operations with a renewed emphasis on our cash cost of production and start up strategy. Poseidon has consequently been able to revise down the forecasted operating costs after securing cost reductions across key expense areas largely supported by a competitive tendering process. We remain poised to execute our restart strategy based on sound market fundamentals and an integrated restart plan.

Research and development are an essential pillar for our company, unlocking value through innovation. During the year we continued to focus on research and innovation across our three nickel operations to enhance the overall project economics. As part of our ore off-take agreement with a third party concentrator, we had to demonstrate that we could successfully co-process Windarra, and other run of mine ores, at a third party concentrator. Initial results failed to produce a commercial saleable concentrate product that could be further treated via conventional smelting and refining, predominantly due to high talc levels in Windarra typical ores. As a result a detailed review of the mineralogy was completed with further samples recovered and tested to demonstrate that co-processing could produce a smeltable concentrate. Following variability flotation test work, Poseidon were able to demonstrate that Windarra ore could be co-processed. Based on the successful results achieved, Poseidon was able to secure an ore off-take agreement and moved quickly to support the restart at Windarra.

INNOVATION

Building upon the testwork and engineering studies completed for the co-processing of various ores, Poseidon embarked on a programme of testwork in support of co-processing Windarra ore at the Black Swan nickel concentrator and co-processing Black Swan stockpiled ore at the Lake Johnston concentrator. A plant trial for the co-processing of stockpiled Black Swan and Lake Johnston ore was planned to be undertaken at the Lake Johnston concentrator however, due to the volatile market conditions, these trials were placed on hold temporarily.

As previously discussed, Poseidon recovered concentrate from our Lake Johnston operation. The physical properties of the concentrate had to be established to confirm it was a smeltable product that could be sold into the concentrate market. Aging of the concentrate had produced a significant amount of non-sulphide nickel that rendered the concentrate non-smeltable however, over time, Poseidon completed test work and continuous piloting to demonstrate that a non-smeltable concentrate could be co-processed commercially. This enabled Poseidon to recover the concentrate and place the concentrate into the market. A significant achievement enabled by our culture of research and innovation and a credit to our team.

We stay safe by intelligently looking after ourselves and our colleagues. Safety is a skill and you have to learn it!

THE MAGGIE HAYS MINE HAS BEEN MAINTAINED IN GOOD OPERATIONAL CONDITION WITH NEAR IMMEDIATE ACCESS TO THE NICKEL MINERALISATION ALLOWING FOR A RAPID ORE RESERVE ESTIMATION.

Poseidon has a highly innovative geology team who are focused on understanding structural geology and utilising modern exploration techniques. These techniques were successfully applied at the Windarra Nickel Project leading to the team into the Cerberus discovery. The team has been relocated to the Lake Johnston Project where they have already increased the mine life at Maggie Hays and are set to test new geological concepts below the high grade Emily Ann Mine.

LAKE JOHNSTON

Maggie Hays

The Lake Johnston acquisition is lining up to be a game changer for Poseidon Nickel. Since completing the purchase in late 2014, the Company recognised that a substantial quantity of drilling data was missing from the Maggie Hays resource drilling data base and there was limited survey control on mineralisation within the northern section of the mine. This resulted in low geological confidence within the North Shoot resource and hence was left unmined by the previous owners. The Company's geologists identified 100 holes with data missing and successful located most of the assay and survey data. Not all assay data could be relocated so 29 holes were re-sampled and assayed. The drilling database was restored and updated as well as the correction of the North Shoot survey issues. In conjunction with this, a large amount of face mapping from the North Shoot was located on site and digitised into 3D mining software to give accurate wireframe control.

The North Shoot mineralisation was re-interpreted by Poseidon using the updated survey information and utilising the corrected underground face mapping positioning. Poseidon interpreted the North Shoot to be a single unit of massive sulphide containing some splayed lenses. Due to the re-positioning of drill holes and face mapping from updated survey information, North Shoot mineralisation is now considered to be of higher geological confidence

than in previous estimates. In these areas, where drill hole information and development drive face mapping exist, the resource category status was updated to Indicated. Areas of the North Shoot where drilling is still wide-spaced and no development drives exist retained their Inferred resource Category status. The massive sulphide Suture Zone mineralisation located south of the North Shoot in the central area of the mine was also re-modelled by Poseidon. The sections were interpreted and snapped to drill holes using assay grades and lithological logging as a guide.

This work resulted in a 50% increase in Indicated Resources at Maggie Hays which resulted in a larger mineable Ore Reserve than the Company initially believed it had purchased. A re-design of the access within the mine was also undertaken to maximize the ore zones which resulted in more ore within the Suture Zone also being available for mining. The Maggie Hays mine has been maintained in good operational condition with near immediate access to the nickel mineralisation allowing for a rapid Ore Reserve estimation.

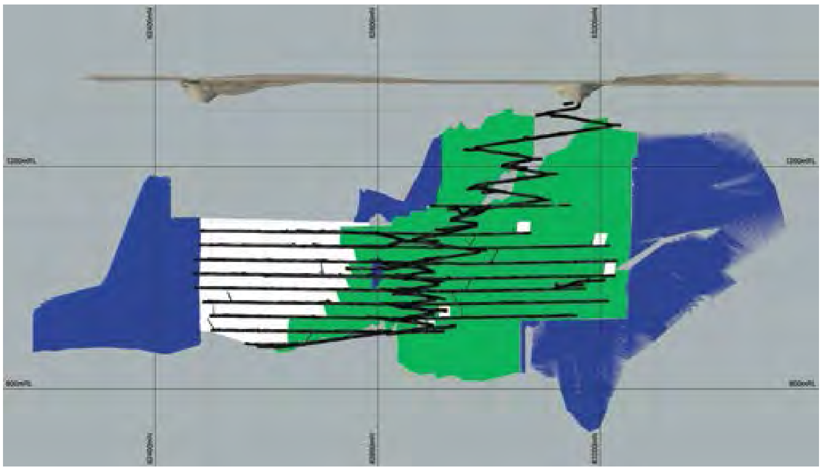
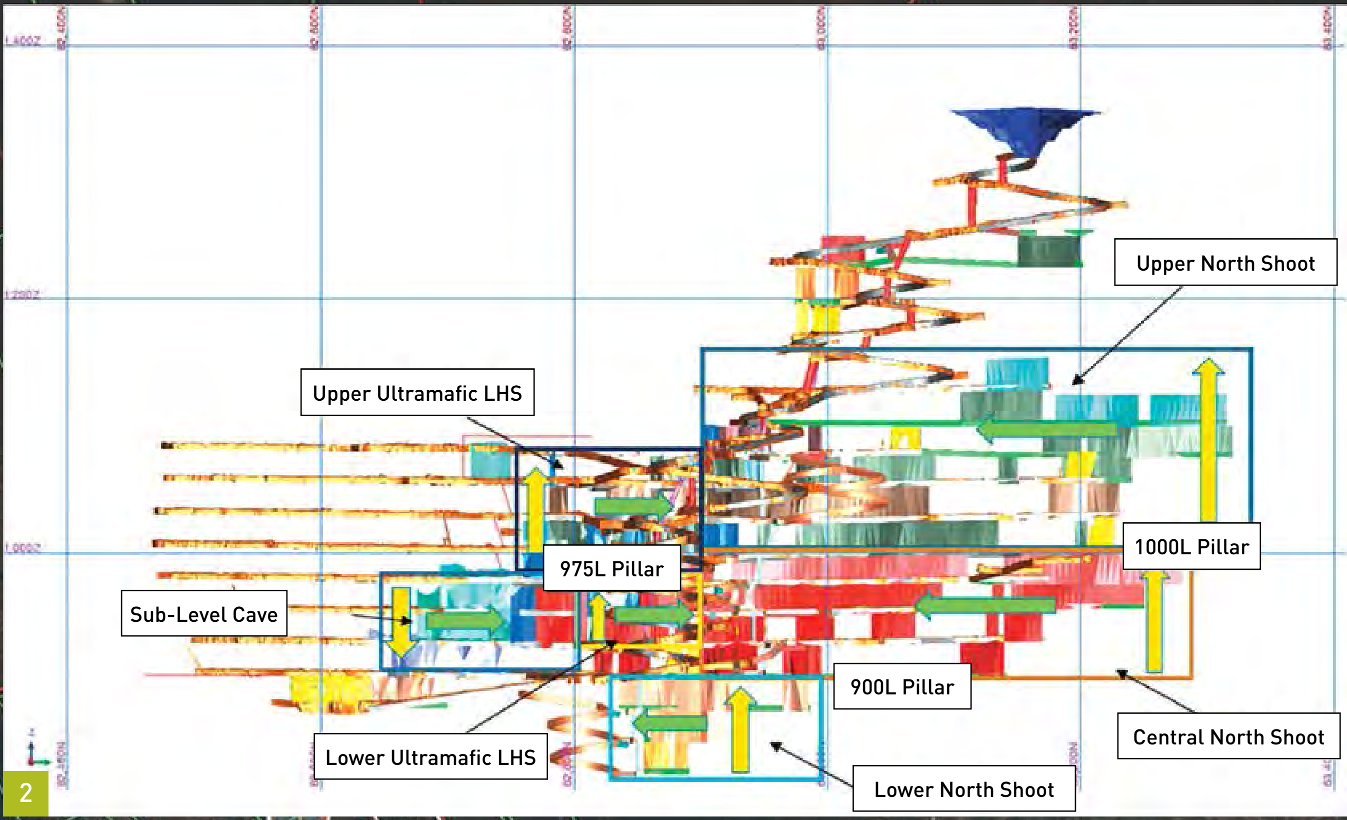


Figure 1: Maggie Hays Long-Section (Looking West), location of JORC Resources (green=Indicated, blue=Inferred), existing mining infrastructure (black) and mined out cave zone (white).

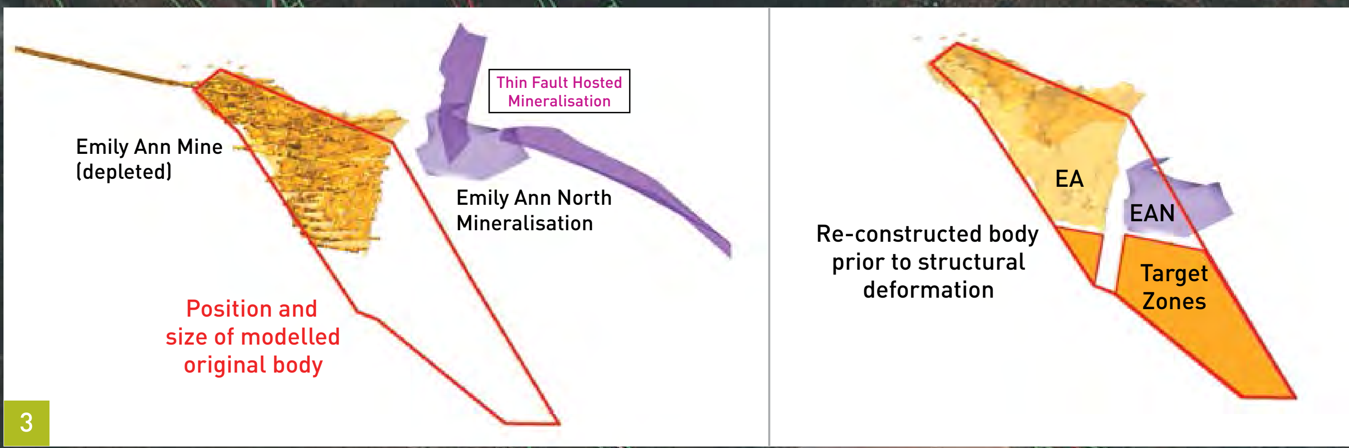
Poseidon was able to complete the Maggie Hays Ore Reserve definition work within seven months of completion of the purchase of the Lake Johnston Project. The reserve has been the culmination of geological re-interpretation, resource estimation, detailed mining and engineering studies, contract pricing, plant refurbishment pricing and the completion of the Bankable Feasibility Study (BFS). The mine planning and feasibility studies have outlined a 2 ½ year mine life for Maggie Hays compared to a 9 month operation at the time of purchase.

We have highly productive yet under explored tenements that need today's technology and understanding to unlock them further. Our geological team are re-mapping and sampling over the historical work which has led to a better understanding of the local geological controls. We have done it before and we will do it again.

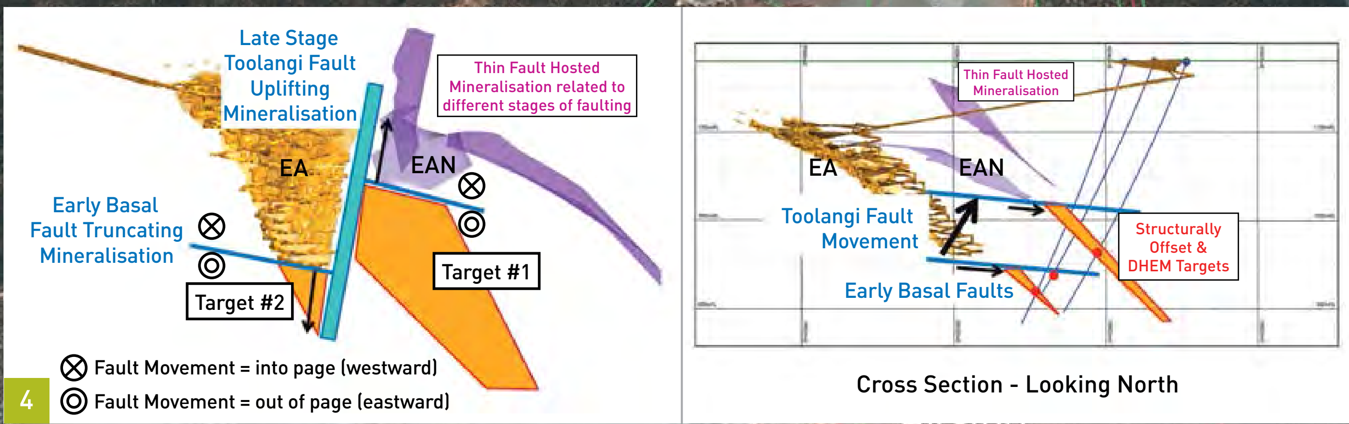
"OUR EXPLORATION SUCCESS TO DATE IS CORNERSTONED BY OUR GEOLOGIST'S ABILITY TO EVALUATE OPPORTUNITIES INDEPENDENTLY, COME UP WITH NEW GEOLOGICAL MODELS/IDEAS AND HAVE THE CONFIDENCE TO TEST THEM."


Upper North Shoot
Upper Ultramafic LHS
975L Pillar
1000L Pillar
Sub-Level Cave
900L Pillar
Central North Shoot
Lower Ultramafic LHS
Lower North Shoot

2


Thin Fault Hosted Mineralisation
Emily Ann Mine (depleted)
Emily Ann North Mineralisation
Position and size of modelled original body
EA
EAN
Re-constructed body prior to structural deformation
Target Zones

3


Late Stage Toolangi Fault Uplifting Mineralisation
Thin Fault Hosted Mineralisation related to different stages of faulting
EA
EAN
Early Basal Fault Truncating Mineralisation
Target #1
Target #2
Fault Movement = into page (westward)
Fault Movement = out of page (eastward)
Thin Fault Hosted Mineralisation
EA
EAN
Toolangi Fault Movement
Structurally Offset & DHEM Targets
Early Basal Faults
Cross Section - Looking North

4

The Maggie Hays Ore Reserve is an initial estimate which is expected, with time, to increase the project life as Poseidon has not yet undertaken any further drilling at the site. A number of promising resource/reserve extensions are yet to be infill drilled and developed. The Company aims to infill Inferred resources and increase the Reserve life further once drilling commences during the Projects production stage.

Emily Ann

Poseidon has been awarded a grant by the Department of Mines and Petroleum (DMP) under the Exploration Incentive Scheme grants (EIS) for the Company's submission for drilling of the Emily Ann Deeps model. Poseidon's exploration success to date is corner-stoned by our geologist's ability to evaluate opportunities independently, come up with new geological models/ideas and have the confidence to test them. As most of the near-surface mineralisation has probably been found by the previous owners, we now have to look smarter, deeper and for blind deposits within/under structurally complex zones which have had limited exploration undertaken on them to date.

Our geologists, in conjunction with Newexco Consultants, have re-evaluated and re-interpreted the high grade (+4% Ni) Emily Ann Deposit and have developed a new structural model for the deposit. They have identified structurally offset targets with corresponding Down Hole Electromagnetics (DHEM) geophysical anomalies below the existing mine, similar to the Flying Fox Deposit 80kms away. Due to the easterly offset, no drilling has been completed into the defined target areas and the DMP will contribute 50% of the drilling costs up to $150,000 to test this breakthrough concept. This is the highest priority target and will be our first new drilling programme.

Figure 2 (left top): Maggie Hays long-section with stope design, mining areas and stoping directions.

Figure 3 (left middle): Long-section (looking west) showing current position of Emily Ann and Emily Ann North mineralisation as well as the interpreted position of mineralisation prior to structural faulting.

Figure 4 (left bottom): Current position of mineralisation and fault offset target zones. A cross-section (looking north) shows the interpreted eastward horizontal offsets to the target zones which correspond with modelled DHEM geophysical targets. Planned drilling under the EIS grant is shown and will be located ~600-800m to the north of the Emily Ann underground portal.

Silver Swan was the world's highest grade nickel mine. With in-ground nickel grades of over 12% massive nickel sulphides, Silver Swan warrants a focussed evaluation. Exploration here to further expand the resource will be a priority.

PLAN FOR THE FUTURE.
CREATE SHAREHOLDER VALUE.
GROW AUSTRALIA'S NEW NICKEL.

STRATEGY, VISION & FOCUS.

CHRIS INDERMAUR NON-EXECUTIVE CHAIRMAN

Chris Indermaur (far left) has over 30 years of experience in large Australian companies in Engineering or Commercial roles. Amongst these roles he was the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd. Chris holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University). Chris also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University. Chris is the Chairman of Medibio Ltd (MEB) and was previously a Non-Executive Director of the Prime Health Group prior to its sale to Sonic Health Care. Chris rejoined the Poseidon Board in April 2009 and was appointed Chairman of the Board in February 2014.

ROBERT DENNIS NON-EXECUTIVE DIRECTOR

Rob Dennis is a mining engineer with over 40 years' experience in the nickel, copper, gold and alumina industries. In his former role as COO Adita Birla Minerals Ltd he managed the expansion and development of the Nifty Copper Project in the North West of Western Australia and the Mt Gordon operation in North Queensland. Prior to that, he held positions including General Manager Project Development for Lionore Australia, General Manager Operations for Great Central Mines and Chief Mining Engineer for Western Mining Corporation. During his time with Western Mining Corporation, Rob worked at the Windarra Nickel Project as underground mine manager from 1980-1986. Rob joined Poseidon Nickel in June 2007 as Chief Operating Officer and has since taken up the role of Chief Operating Officer at Sirius Resources. Rob has been a Director of the Poseidon Board since February 2014.

DAVID SINGLETON MANAGING DIRECTOR & CEO

David Singleton (centre right) became the Managing Director and CEO of Poseidon Nickel in July 2007. David was the Managing Director and CEO of Clough Limited between August 2003 and January 2007. Prior to joining Clough, he was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems (formally British Aerospace) based in London. Mr Singleton spent three successful years as the Chief Executive Officer of Alenia Marconi Systems and was based in Rome, Italy. He is a Non-Executive Director of Austal Ships based in Perth WA, a Non-Executive Director of Quickstep Holdings, which is a technology based carbon fibre manufacturer to the Defence and Aerospace industry and also Deputy Chair of Council to Methodist Ladies College in Perth. Mr Singleton has international business experience in senior executive roles in Europe, USA and Australia. Mr Singleton has a degree in Mechanical Engineering from University College London.

GEOFF BRAYSHAW NON-EXECUTIVE DIRECTOR

Geoff Brayshaw (far right) had over 35 years' experience as a Chartered Accountant in public practice before retiring from practice in June 2005. He practiced primarily in audit and assurance, other areas of practice being corporate finance and litigation support. He gained wide experience in corporate and financial accounting for the exploration and mining industry, including iron ore and nickel. Geoff is a Fellow of the Institute of Chartered Accountants in Australia, and an associate member of the AICD. He was National President of the ICAA in 2002. He was previously an independent Director and audit committee Chairman of both Fortescue Metals Group Limited and AVEA Insurance Limited and is a former member of the Board of the Western Australian Small Business Development Corporation. Geoff has served on the Poseidon Board since February 2008.

PASSION, ENERGY & EXPERIENCE.

DAVID SINGLETON MANAGING DIRECTOR & CEO

- Former Chief Executive Officer of Clough Engineering (2003 - 2007), a $1.0bn turnover Western Australian construction company in the resources industry

- Former Chief Executive Officer of Alenia Marconi Systems, an A$1.3bn European defence electronics company (Euro based in UK and Italy)

- Former Global Head of Strategy and M&A for BAE Systems, a $21bn market capitalisation US and UK based defence company

MICHAEL RODRIGUEZ CHIEF OPERATING OFFICER

- One of Australia's leading nickel processing experts

- Metallurgical engineer with over 30 years' experience in mining and minerals processing

- Direct responsibility for the design, commissioning and operation of complex hydrometallurgical and pyrometallurgical plants at the Kwinana Nickel Refinery, Olympic Dam Operations, Murrin Murrin JV and Goldcorp

- Formerly Manager Strategic Development Glencore JV

GARETH JONES CHIEF FINANCIAL OFFICER

- Deep technical expertise developed through 8 years at Poseidon Nickel

- Over 25 years' experience in accounting and commercial roles

- Previously Head of Commercial British Gas Business in the UK and Commercial Manager at Vodafone UK

VANESSA HUGHES MANAGER PEOPLE AND CULTURE

- Over 20 years' senior organisational development and human resource management experience

- Expertise in the resources sector with start-up and mid-tier mining companies

- Formerly Manager People and Culture at Millennium Minerals and previously at Integra Mining as Manager Human Resources

DETERMINATION IMAGINATION CONFIDENCE EVERYONE HAS A VOICE

JOHN CROALL GENERAL MANAGER - LAKE JOHNSTON OPERATIONS

- **Mining engineer with over 30 years' mining industry experience**
- Has a successful track record in managing both underground and surface mines, planning for and overseeing mining rate and processing plant expansions, as well as overseeing the applications process and receipt of regulatory approvals leading to construction and commissioning of processing plants on greenfield sites
- Previously, resident manager at Lake Johnston between 2006 and 2007

NEIL HUTCHISON GENERAL MANAGER - GEOLOGY

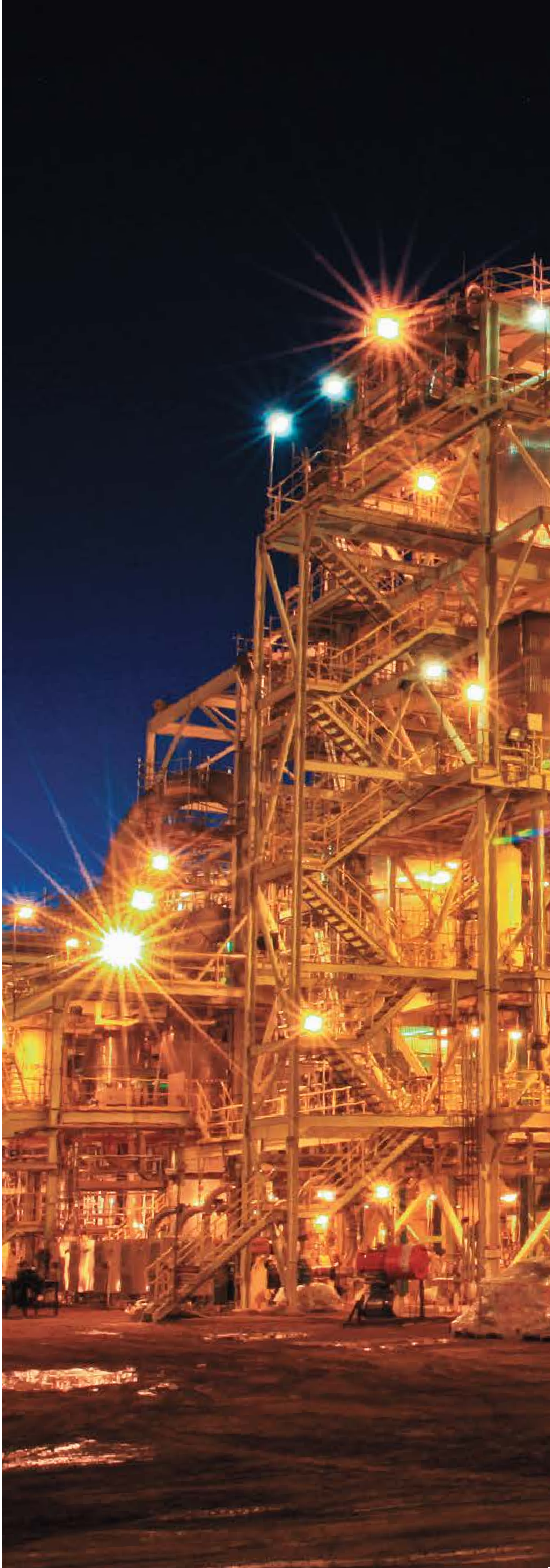
- **Formerly the Exploration Superintendent at the Cosmos Nickel Project with Jubilee Mines during major discovery period**
- Leading Australian geologist with over 20 years' experience in the nickel (sulphides and laterites), gold and uranium sectors

ROBERT BOSTON GENERAL MANAGER - CORPORATE, COMMERCIAL AND LEGAL

- **Experienced resources and legal executive with multi commodity experience across exploration, early stage resource development, infrastructure, joint ventures, M&A and corporate governance**
- Formerly with BHP Billiton (Nickel West) concentrating on business development, strategy, marketing and corporate/commercial transactions

TOTALLY COMMITTED TO EXPLOITING THE SECOND LARGEST INDEPENDENT NICKEL SULPHIDE RESOURCE IN AUSTRALIA.



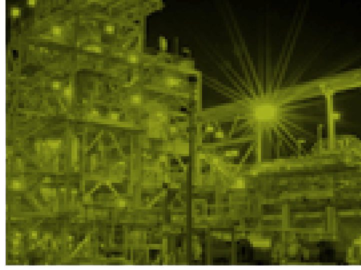
FINANCIAL STATEMENTS.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015

The directors present their report together with the financial statements of Poseidon Nickel Limited ("the Company") and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2015 and the auditor's report thereon.

Contents of directors' report **Page**



1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Mr Christopher Indermaur **Chairman & Independent Non-Executive Director** *Member of:* • Audit & Risk Management Committee *Chairman of:* • Remuneration, Nomination & Diversity Committee • Corporate Governance Committee Appointed 2 July 2007 Resigned 30 September 2008 Re-appointed 2 April 2009	Mr Indermaur has over 30 years of experience in large Australian companies in Engineering or Commercial roles. Amongst these roles he was the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd. Mr Indermaur holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University). Chris also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University. Mr Indermaur is also the Chairman of Medibio Ltd.
Mr Geoff Brayshaw **Independent Non-Executive Director** *Member of:* • Remuneration, Nomination & Diversity Committee • Corporate Governance Committee *Chairman of:* • Audit & Risk Management Committee Appointed 1 February 2008	Mr Brayshaw was formerly an audit partner with a major accounting firm in Perth, having been in practice for some 35 years. He has also held a number of positions in commerce and professional bodies including National President of the Institute of Chartered Accountants of Australia in 2002. He was previously an independent Director and Audit Committee Chairman of both Fortescue Metals Group Limited and AVEA Insurance Limited. He was previously a member of the Board of the Small Business Development Corporation.

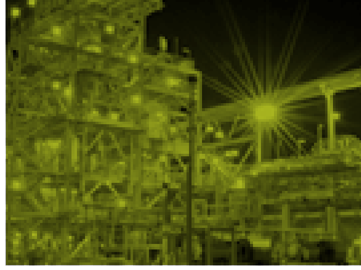
1. Directors (cont.)

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Mr David Singleton **Managing Director & CEO** *Member of:* • Corporate Governance Committee Appointed 1 February 2008	Mr Singleton was the Managing Director and CEO of Clough Limited between August 2003 and January 2007. Prior to joining Clough, he was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems (formally British Aerospace) based in London. Mr Singleton spent three successful years as the Chief Executive Officer of Alenia Marconi Systems and was based in Rome, Italy. Mr Singleton has served as a member of the National Defence Industries Council in the UK, and as a board member and Vice-President of Defence for Intellect. He is a Non-Executive Director of Austal Ships based in Perth WA, a Non-Executive Director of Quickstep Holdings, which is a technology based carbon fibre manufacturer to the Defence and Aerospace industry, Deputy Chair of Council to Methodist Ladies College in Perth. Mr Singleton has international business experience in senior executive roles in Europe, USA and Australia. Mr Singleton has a degree in Mechanical Engineering from University College London. Mr Singleton was appointed as Chief Executive Officer on 2 July 2007.
Robert Dennis **Independent Non-Executive Director** Appointed 24 February 2014	Mr Dennis is a mining engineer with over 40 years' experience in the nickel, copper, gold and alumina industries and was the Chief Operating Officer at Poseidon Nickel between June 2007 and December 2013 before joining Sirius Resources as COO. Prior to this, Mr Dennis was COO at Adita Birla Minerals Ltd where he managed the expansion and development of the Nifty Copper Project in the North West of Western Australia and the Mt Gordon operation in North Queensland. Prior to that, he held positions including General Manager Project Development for Lionore Australia, General Manager Operations for Great Central Mines and Chief Mining Engineer for Western Mining Corporation. During his time with Western Mining Corporation, Mr Dennis worked at the Windarra Nickel Project as Underground Mine Manager from 1980-1986.

2. Company Secretary

Mr Ross Kestel is a Chartered Accountant and a former director of the accounting practice Nissen Kestel Harford from July 1980 until April 2010.

Mr Kestel has acted as a director and company secretary of a number of public companies involved in mineral exploration, mining, mine services, property development, manufacturing and technology industries. Mr Kestel is a member of the Australian Institute of Company Directors.



3. Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

DIRECTOR	BOARD MEETINGS*		AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS		REMUNERATION, NOMINATION AND DIVERSITY COMMITTEE MEETINGS	
	A	B	A	B	A	B
Mr C Indermaur	6	6	6	6	5	5
Mr G Brayshaw	6	6	6	6	5	5
Mr R Dennis	6	6	6	6	5	5
Mr D Singleton	6	6	-**	-**	-**	-**

A - Number of meetings attended

B - Number of meetings held during the time the director held office in the year

* - Corporate Governance is an integral part of the Board meeting

** - The above table is for committee members only however, the MD/CEO has attended these meetings by invite

4. Principal Activities

It is the intent of the directors that the principal activities of the Company shall be that of exploration, mining and production of nickel and other minerals.

5. Consolidated Results

The consolidated loss for the entity for the year ended 30 June 2015, after income tax is $21,471,000 (2014: loss of $5,837,000).

6. Operating and Financial Review

Company Strategy

Poseidon's strategy is focussed on the recommencement of operations at established nickel producers in Australia where project risk capital and operating costs are low. A critical element of this strategy is to acquire projects with high levels of geological prospectivity likely to lead to a substantial extension of the projects life through the application of modern nickel exploration techniques. These exploration techniques have been proven repeatedly at Poseidon as well as several other well-known nickel producers in Australia.

During the year and in line with this strategy, the Company completed the acquisition of the Lake Johnston and Black Swan assets from OJSC MMC Norilsk Nickel. This was a major step in significantly reducing the capital funding requirement for recommencing operations at Windarra as well as extending the breadth of the Company's mineral resources which are now more than double what they were before the acquisition. The Company has prioritised Lake Johnston as the first project to recommence operations due to the low capital cost and speed into production and has completed a large number of activities required to facilitate a quick restart. In addition, Poseidon is at a very advanced stage of discussions with offtake parties for a combined offtake and funding agreement that would complete the necessary financial investment for Lake Johnston to restart activities. Poseidon believes that this funding will be completed subject only to a recovery in the nickel price above US$6.50/lb which is considered an economic level under the current circumstances.

In the short-term whilst commodity markets stabilise, Poseidon has taken significant steps to reduce operating expenditure, which was running at a high level due to the activities on site, and to complete contractual negotiations for the underground mining contract and tailings dam expansion.

6. Operating and Financial Review (cont.)

Projects - Lake Johnston

A key milestone was the completion of the Bankable Feasibility Study (BFS), several months ahead of the original schedule, for the Lake Johnston Nickel Project. The study has confirmed that the operations can be brought back into operation in circa 4 months, at a low level of pre-production capital of $14m plus working capital and that no regulatory or material technical barriers exist.

Lake Johnston was in full scale operations only 2 years ago so the purpose of the study was to confirm the necessary steps required to restart mining and processing and to confirm the required capital and operating costs. The BFS confirmed an all in sustaining operating cost of US$5.39/lb (cash operating costs of US$3.43/lb). The study also presented Poseidon with the opportunity to plan a number of operating improvements to the site primarily to reduce costs and to improve ore extraction rates.

The study was initiated immediately after the project was acquired in November 2014 and included a major re-analysis of the resource model, a re-design of the mining methodologies used for the ore body and an analysis of the necessary work required to restart the concentrator plant. The resource model work, combined with the revised mining methods, has materially increased the initial project life and ore throughput rates.

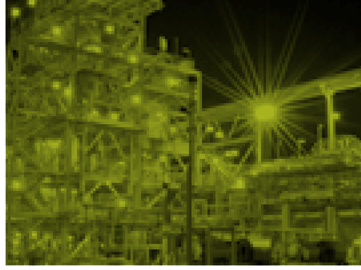
Poseidon also owns the Black Swan Nickel Project which includes 1.7 million tonnes of mined but unprocessed ore Reserves which Poseidon is planning to progressively transport and process at Lake Johnston. The 1.5 million tonne per annum processing plant capacity at Lake Johnston is able to process a combined feed from both sites with an average throughput planned of 1.13 million tonnes of ore per annum.

Projects - Black Swan and Windarra Operations

Poseidon has also formally submitted an application to the Minister for State Development which covers the restart of mining at Windarra and shipment of ore to Black Swan for processing. The application has been informally under review for several months and now that the acquisition of Black Swan has been completed, the application has been formally submitted. Under the conditions of the Poseidon Nickel Agreement Act 1971, the Minister for State Development shall consider the application within 2 months of receipt and give notice to Poseidon of his decision. It should be noted that an application for the restart of the operations at Windarra was previously considered by the Minister for State Development in 2012 when construction of a concentrate processing plant and other associated activities on the site was envisaged. This application was approved with certain conditions attached. The proposal now submitted is simpler in scope as ore will be transported to Black Swan for treatment at the existing concentrator and was again approved with certain conditions attached. Black Swan currently holds approvals to operate and is formally in care and maintenance.

Poseidon has previously indicated that its acquisition of the Black Swan Project would facilitate the processing of Windarra ore which would be blended with existing ore from the Black Swan open pit. Poseidon announced the results of an engineering study into the Black Swan treatment option in August 2014. The report outlined a capital saving of $240m over building a new facility at Windarra, confirmed that the blending of ores from the two sites was feasible, produced 9,800 tonnes of nickel in a smeltable grade concentrate and that operating cash costs were conservatively estimated to be circa US $4.05/lb.

The application for treatment of ore at Black Swan follows delays in formal approval to deliver ore to the Leinster concentrator. Poseidon had initially believed that a target of first ore deliveries in February this year would be feasible, however no timeframe for receipt of the approval has been provided. The Leinster offtake contract signed in 2014 had lapsed and Poseidon has not sought an extension.



Part of the rationale for the purchase of Black Swan was to cover the risks of such an event and to provide long-term processing security for Windarra. Processing Windarra ore at Black Swan provides the additional benefit of higher production rates of nickel because of the ability to blend ores from both sites. Black Swan is a low cost processing option that has access to grid power provided by the SWIS (South West Integrated System) and a drive in workforce from Kalgoorlie. The ore from the site is from an open pit.

Exploration

Since the acquisition of the two projects from Norilsk, considerable work has been undertaken to update both the resources and reserves to a JORC Code (2012) standard as well as re-interpreting the ore body as part of the feasibility study process.

Lake Johnston

An updated Mineral Resource Estimate (Table 1) of the Maggie Hays mine located at Lake Johnston was completed by Golder Associates PTY Ltd (Golder) which used all available assay data as of 6 February 2015 and followed on from the November 2014 resource estimate which was also completed by Golder.

The latest update is based on new data and a geological review of the Maggie Hays deposit which was undertaken after the formal acquisition of the Lake Johnston. As a result of the work completed, a much higher proportion of the mineralisation is in the JORC Code (2012) Indicated category, rather than the lower confidence Inferred category. Approximately 80% of the currently drilled resource is now in the Indicated category. The improvement was a key step in the initial definition of the likely project life by increasing confidence in the shape, grade and position of the mineralisation to be mined. The result of the resource work has been used to develop the mine schedule and Ore Reserve estimation which has also been completed.

Table 1: Maggie Hays Mineral Resource at 0.8% Ni cut-off grade

	INDICATED			INFERRED			TOTAL		
Source	**Mt**	**Ni %**	**Ni Kt**	**Mt**	**Ni %**	**Ni Kt**	**Mt**	**Ni %**	**Ni Kt**
North Shoot	0.8	1.86	14.7	0.4	1.31	5.9	1.2	1.66	20.6
SLC Disseminated	0.1	1.36	0.8	0.4	1.02	4.2	0.5	1.06	5.0
SLC Massive	0.1	3.82	3.8	-	-	-	0.1	3.82	3.8
Suture Zone Disseminated	1.5	1.13	16.9	-	-	-	1.5	1.13	16.9
Suture Zone Massive	0.2	3.27	5.7	-	-	-	0.2	3.27	5.7
Total Maggie Hays	2.6	1.60	41.9	0.9	1.17	10.1	3.5	1.49	52.0

Source: Poseidon, Golder & Assoc.

Maggie Hays Ore Reserve Estimation

Entech Pty Ltd (Entech) was commissioned by Poseidon to provide an independent Ore Reserve estimate for the Maggie Hays underground nickel mine as at 31 April 2015. The Ore Reserve estimate is based on a JORC Code (2012) compliant Mineral Resource estimate. The calculation of a Probable Ore Reserve follows the completion of the projects BFS which was completed by Entech based on a JORC 2012 compliant Mineral Resource of 2.6mt @ 1.60% Ni for 41,900 tonnes of contained nickel (Indicated category only) which was completed by Golder (Table 1).

Poseidon completed the Maggie Hays Ore Reserve definition work within seven months of completion of the purchase of Lake Johnston. The reserve was the culmination of geological re-interpretation, resource estimation, detailed mining and engineering studies, contract pricing, plant refurbishment pricing and the completion of the BFS.

6. Operating and Financial Review (cont.)

Maggie Hays Ore Reserve Estimation (cont.)

The BFS on the Maggie Hays project announced by Poseidon in May 2015 is based on processing a combined feed from both Maggie Hays and Black Swan sites with an average throughput plan of 1.13 million tonnes of ore per annum through the 1.5 million tonne per annum processing plant capacity at Lake Johnston.

This Ore Reserve Estimation is in line with that used in the BFS published in May. A substantial initial mining Probable Ore Reserve for Maggie Hays of 1.9mt of ore @ 1.19% Ni for 22,600 tonnes of contained nickel has been independently defined by Entech Pty Ltd, mining engineering and management consultants (Table 2).

Table 2: Maggie Hays Nickel Mine Ore Reserve Estimate April 2015

	PROVEN		PROBABLE		TOTAL		Nickel
Source	**Mt**	**Ni %**	**Mt**	**Ni %**	**Mt**	**Ni %**	**Metal (kt)**
North Shoot	-	-	0.7	1.27	0.7	1.27	7.6
Suture	-	-	0.6	1.22	0.6	1.22	8.6
SLC	-	-	0.6	1.07	0.6	1.07	6.5
Total Maggie Hays	-	-	1.9	1.19	1.9	1.19	22.6

Calculations have been rounded to the nearest 100,000 t of ore, 0.01 % Ni grade and 100 t Ni metal.

Black Swan

The Company was required to undertake a re-estimation of the Black Swan Mineral Resource estimate under the JORC Code (2012) post the acquisition announcement. Accordingly, Poseidon engaged Golder to complete the re-estimation work given their familiarity with the drill database and previous resourcing work having completed this for Norilsk.

Golders has completed a Mineral Resource estimate for the Black Swan Project, Western Australia, using all available assay data as of 9 July 2014. The Mineral Resource estimate was classified in accordance with the JORC Code (2012) for Reporting of Exploration Results, Mineral Resources and Ore Reserves (Table 3).

Table 3: Black Swan Open pit Mineral Resources at 0.4% Ni cut-off grade as at 22 July 2014

	INDICATED			INFERRED			TOTAL		
Source	**Mt**	**Ni %**	**Ni kt**	**Mt**	**Ni %**	**Ni kt**	**Mt**	**Ni %**	**Ni kt**
Black Swan	8.4	0.70	59.1	20.7	0.54	111.9	29.1	0.59	170.9
Stockpiles	1.2	0.49	5.9	0.4	0.53	1.9	1.6	0.50	7.8
Total Black Swan	9.6	0.68	64.9	21.1	0.54	113.8	30.7	0.58	178.7

Black Swan Ore Reserve Estimation

Upon completion of the Mineral Resource estimation, Poseidon further engaged Golder to continue the work and estimate the Black Swan Ore Reserve to JORC Code (2012) standards. The estimation and classification of Ore Reserves was completed jointly by IMC Mining and Golder (Table 4).

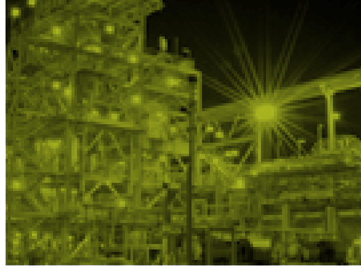


Table 4: Black Swan Ore Reserves on 24 September 2014 (at 0.4% nickel cut-off grade)

		ORE RESERVE CATEGORY		
				PROBABLE
Nickel Sulphide Reserves	JORC Compliance	Tonnes (Kt)	Ni% Grade	Ni Metal t
BLACK SWAN PROJECT				
Open Pit	2012	2,170	0.71	15,500
Stockpiles	2012	1,190	0.49	6,000
TOTAL				
Total Ni Reserves	2012	3,370	0.63	21,500

Note: totals may not sum exactly due to rounding.

The open-pit Black Swan Ore Reserve has been estimated from an Indicated Mineral Resource of 9.6mt at 0.68% Ni containing 65kt of nickel metal (using 0.4% cut-off grade) which represents a 34% conversion factor from resources to reserves. The total disseminated nickel sulphide resource at Black Swan is 30.7mt @ 0.58% Ni for 179kt of contained nickel metal (using 0.4% cut-off grade).

Mt Windarra Ore Reserve Estimation

The Mt Windarra mine is an underground mine located 260km north east of Kalgoorlie and 25km northwest of Laverton in Western Australia, The Windarra Nickel Project (WNP) is 100% owned by Poseidon Nickel (POS) and was purchased in 2006.

An updated Ore Reserve Estimation for Mt Windarra further underpins the Company's original project which is anticipated to be brought into production following the restart of the Lake Johnston operation. An increased mining Probable Ore Reserve for Mt Windarra of 0.567 million tonnes @ 1.70% Ni for 9,630 tonnes contained nickel has been independently defined by Optiro Pty Ltd, mining engineers and geological consultants (Table 5).

The work included estimating Underground Ore Reserves in compliance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code).

Table 5: Mt Windarra Nickel Mine Ore Reserve Estimate April 2015

	PROVEN		PROBABLE		TOTAL		
Source	Mt	% Ni	Kt	% Ni	Mt	% Ni	Nickel Metal (kt)
C Shoot	-	-	339.0	1.71	339.0	1.71	5.9
F Shoot	-	-	90.3	1.61	90.3	1.61	1.5
G Shoot-Upper	-	-	51.0	1.59	51.0	1.59	0.8
H Shoot	-	-	3.8	2.79	3.8	2.79	0.1
Development Ore	-	-	82.9	1.60	82.9	1.60	1.3
Total Mt Windarra	-	-	567	1.70	567	1.70	9.6

Calculations have been rounded to the nearest 1,000 t of ore, 0.01 % Ni grade and 100 t Ni metal.

The calculation of a Probable Ore Reserve is based on an upgraded JORC 2012 compliant Mineral Resource of 0.922 million tonnes @ 1.56% Ni for 14,000 tonnes contained nickel (Indicated category only) which was completed by Optiro (May 2014). The updated Ore Reserve follows the completion of additional drilling, geotechnical modelling by Beck Engineering, as well as mine re-design and scheduling work which was completed by Deswik Mining Consultants (Australia) Pty Ltd.

6. Operating and Financial Review (cont.)

MINERAL RESOURCE STATEMENT

Table 6: Nickel Projects Mineral Resource Statement

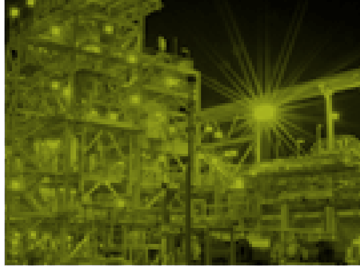
			MINERAL RESOURCE CATEGORY									
			INDICATED			INFERRED			TOTAL			
Nickel Sulphide Resources	JORC Comp-liance	Cut Off Grade	Tonnes (Kt)	Ni% Grade	Ni Metal t	Tonnes (Kt)	Ni% Grade	Ni Metal t	Tonnes (Kt)	Ni% Grade	Ni Metal t
WINDARRA PROJECT											
Mt Windarra	2012	0.90%	922	1.56	14,000	3,436	1.66	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

Note: totals may not sum exactly due to rounding.

Table 7: Gold Tailings Project Mineral Resource Statement

			MINERAL RESOURCE CATEGORY									
			INDICATED			INFERRED			TOTAL			
Gold Tailings Resources	JORC Comp-liance	Cut Off Grade	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

Note: totals may not sum exactly due to rounding.



ORE RESERVE STATEMENT

Table 8: Nickel Project Ore Reserve Statement

Nickel Sulphide Reserves	JORC Compliance	Tonnes (Mt)	Ni% Grade	Ni Metal (Kt)
				ORE RESERVE CATEGORY PROBABLE
LAKE JOHNSTON PROJECT				
Maggie Hays	2012	1.9	1.19	22.6
BLACK SWAN PROJECT				
Black Swan	2012	3.4	0.63	21.5
WINDARRA PROJECT				
Mt Windarra	2012	0.6	1.70	9.6
Cerberus	2004	1.2	1.30	16.0
Windarra Sub Total		1.8	1.42	25.6
TOTAL				
Total Ni Reserves	2004 & 2012	7.1	0.98	69.7

Note: totals may not sum exactly due to rounding.
Calculations have been rounded to the nearest 100,000 t of ore, 0.01 % Ni grade and 100 t Ni metal.

Competent Person Statement

The information in this report which relates to the Lake Johnston Mineral Resource 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 Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy.

The information in this report which relates to the Lake Johnston Ore Reserves Project is based on information compiled by Matt Keenan who is a full time employee of Entech Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy.

The information in this report that relates to Mineral Resources at the Windarra Nickel Project 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 Reserve at the Windarra Nickel Project is based on information compiled Leanne Cureton and Andrew Law who are both full time employees of Optiro Pty Ltd and are a Member and a Fellow of the Australasian Institute of Mining and Metallurgy respectively.

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

6. Operating and Financial Review (cont.)

Financial Position

For the year ended 30 June 2015 the Company incurred a loss of $21,471,000 (2014: loss $5,837,000) that includes the movement in the valuation and interest of the convertible note liability, derivative liability, depreciation and share-based payment expense which are all non-cash items. If these items are excluded, the underlying loss for the Company for the year is $7,707,000 (2014: $5,212,000). The working capital deficit for the period of $965,000 (2014 deficit: $8,541,000) includes a provision for environmental rehabilitation of $3,500,000 that is cash backed (non-current asset). In addition, the Company has US$35 million convertible notes on issue maturing 31 March 2017 resulting in net non-current debt at 30 June 2015 of approximately $34 million.

The Company had a net cash outflow used in operating and investing activities of $17,756,000 (2014: outflow $4,315,000), reflecting the increased level of expenditure during the period on exploration, mine dewatering activities at Windarra and the acquisition of the Lake Johnston and Black Swan nickel projects from Norilsk Nickel. The net cash outflow includes the receipt of $1,388,000 for the 2014 refundable tax offset from the ATO under the Research and Development Tax Incentive scheme ("R&D"). The Company is also preparing its 2015 R&D claim which is expected to result in a $1,200,000 refundable tax offset. As at 30 June 2015, the Company had cash on hand of $4,857,000.

The Company will require further funding in order to fully fund the restart of the Lake Johnston nickel project as planned. The Board of Directors is aware, having developed a definitive feasibility study and prepared a cash flow budget, of the Company's project development and working capital requirements and is being advised by Grant Samuel to assist in developing the various alternatives towards financing the project, which will be subject to a recovery in the commodity price. The Company has minimised expenditure levels across all projects due to the current poor nickel market but may also seek to raise additional funds through capital raisings should the need arise, as it has done in the past. Should the Company be unable to raise sufficient funds, it will be necessary to delay the development of the project and further significantly reduce exploration and administrative costs.

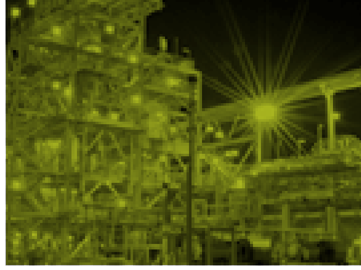
The ability of the Company to repay, reschedule or refinance its convertible notes and the nature and timing of any such outcomes, will ultimately depend on prevailing market conditions, particularly AUD nickel prices, between the date of this report and the maturity date of the convertible notes.

The directors consider the going concern basis of preparation to be appropriate based on forecast cash flows for the next 12 months, which incorporate raising additional funds via issue of debt and/or equity instruments. Should the Company not be successful in achieving forecast cash flows, including the raising of additional funds, there is material uncertainty that may cast significant doubt about whether the Company can continue as a going concern in which case it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this financial report (refer to note 1.2 in the notes to the consolidated financial statements in relation to going concern and the Auditor's report in relation to an emphasis of matter).

Nickel Market

The nickel market has become the inhibitor for completing the financing required for the restart of Lake Johnston. Nickel prices have continued to decline, particularly through the second half of the year, driven primarily by the absence of signs that the underlying supply-demand balance has tightened and LME inventories climbing to all time highs. This has been driven by a number of factors, an increase in Philippine ore exports partially offsetting the Indonesian ore export ban, ore stocks cumulated at ports ahead of the ban, a reduction if stainless steel exports from China to name but a few.

What is encouraging is that the consensus view across all of the research groups and analysts in their outlook for nickel. All of the experts are forecasting a deficit in supply and prices recovering by early 2016.



7. Remuneration Report - Chairman of the Remuneration Committee Introduction

During the 2015 financial year we determined that the time was appropriate for a major overhaul of Poseidon's remuneration practices and accordingly have set about the task.

The drivers for these changes have been the transition from an exploration and development company towards that of a producer and the requirements of institutional investors who now represent a greater proportion of our shareholder base following our latest capital raising. The trend in ASX listed companies is toward a transparent, relatively homogenised approach to executive remuneration and the application of short- and long-term incentives. The Poseidon Board wholeheartedly embraces the need for executive remuneration to the tightly aligned to outcomes for shareholders, a matter reinforced by the fact that the Board are significant shareholders themselves.

This alignment of shareholders' interests to remuneration has played out clearly over the last 18 months. In 2014 the management team achieved two dramatic and transformational acquisitions for Poseidon which have propelled us onto a new path. It is not necessarily something we could have planned or foreseen but nonetheless has had a dramatic impact on our business by one measure saving us $240m on a process plant for Windarra through the acquisition of Black Swan. For these acquisitions we approved bonuses for the senior executives with pleasure. Appropriately there is a flip side to this approach when things go badly. Through no fault of the management team, the recent commodity price collapse has delayed our efforts to bring Lake Johnston into production, something we expected to have completed this year. As a result we have enacted a broad cost cutting regime which has included the Board and the senior executives. No executive bonuses will be paid for 2015, no cost of living pay rises have been granted and the senior team and directors have taken a 20% pay cut until the market improves. These steps demonstrate a real implementation of rewards linked to shareholder outcomes.

In 2016 it is our intention to implement new short- and long-term remuneration policies. We have taken advice, benchmarked the market and our peers and developed appropriate and balanced schemes. The short-term incentive scheme will use clear and measurable key performance indicators focused on delivering the Company's annual objectives in a manner well accepted in the market. For long-term objectives the Company is intending to use a relative measure of Total Shareholder Return (TSR) against which performance is judged where payments, in shares, will only be made where Poseidon outperforms the market medians generating above average shareholder wealth over a 3 year period.

The Remuneration Committee has also recommended to the Board that the structural changes to fees paid to the Board (and if appropriate to executives) in shares be implemented. The Board has always taken its fees in Company shares to reduce the cash impact to the business. However an outcome of this has been the Board has paid tax on those fees in cash without the real option or practice of selling the shares to fund the tax. Executives have also accepted some payments in shares. New tax legislation allows the taxing point to be moved to the time of sale of the shares which is a more equitable outcome for all. This is being done at no nett financial effect to the Company.

The implementation of the long-term incentive scheme will be put to the Annual General Meeting and if approved, will be implemented during the year and reported on next year in more detail. You can be assured that the Board is very focussed on ensuring that executive remuneration and shareholder wealth are aligned.

7. Remuneration Report - Audited

7.1 Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company and Group and other executives. Key management personnel comprise the directors and executives for the Company and Group.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good governance practices:

- Competitiveness and reasonableness through benchmarking remuneration to industry specific data;
- Shareholder acceptability of remuneration for executives;
- Performance linkage / alignment of executive compensation to Company objectives;
- Transparency of remuneration awarded to executives; and
- Capital Management - the use of share-based remuneration schemes to preserve cash.

Compensation levels for key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. Compensation packages include a mix of fixed and variable compensation and short- and long-term performance-based incentives.

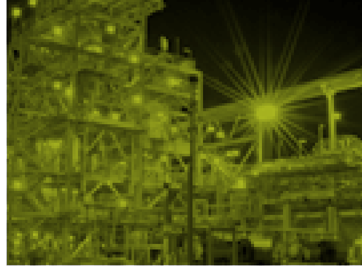
Fixed compensation

Fixed compensation ("FC") consists of base compensation which is calculated on a total cost basis and includes employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration, Nomination and Diversity Committee through a process that considers both individual and overall performance of the Company. In addition, external consultants can be engaged to provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the marketplace. A senior executive's compensation is also reviewed on promotion. No consultants have been used in the current year.

Performance linked compensation

Performance linked compensation is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The incentive bonus is an 'at risk' bonus which, at the discretion of the Board, can be provided in the form of cash or shares through the Poseidon Employee Bonus Scheme ("EBS"). The Company also operates the Poseidon Employee Share Option Plan ("ESOP").



Incentive bonus

The incentive bonus provides compensation to employees when key performance measures are achieved in line with business objectives. These measures may include financial and non-financial measures such as share price, project delivery and financing related targets and are chosen to align the individual's compensation to the short-term objectives of the Company. The non-financial objectives will vary with an employee's role and responsibility and will include measures specific to that role as well as satisfying and following Company objectives. The broad terms around the quantum of any incentive bonus, under current company practice, is related to a percentage of the FC amount. The Company has set a bonus range of between one month's salary and a maximum of 100% of an individual's FC amount ("the applicable bonus range"), dependent on the individual's role. The bonus scheme is designed to reward and recognise performance and to pay an amount of between 0% - 50% of the applicable bonus range in recognition of actual performance levels noting that 100% would only be made in recognition of extraordinary achievement.

At the end of the financial year, the Remuneration, Nomination and Diversity Committee reviews and assesses the actual performance of the Company and management's achievement of its targets and objectives and recommends to the Board the individual bonuses for key management personnel, having taken into consideration the individual's performance and contribution to the delivery of those objectives. The performance evaluation in respect of the year ended 30 June 2015 has taken place in accordance with this process.

The Remuneration, Nomination and Diversity Committee also recommend a maximum allocation of funds for bonuses to other employees. These funds are then allocated on a strictly individual basis related to personal performance. The Board retains the discretion to vary the final cash incentive if performance is considered to be deserving of either a greater or lesser amount.

The Board has adopted a recommendation from the Remuneration, Nomination and Diversity Committee to establish a performance-based incentive bonus whereby the aims are to:

- Motivate and reward employees for creating significant value in the Company and thereby aligning the interests of employees and shareholders;
- Provide targeted but competitive compensation and a long-term incentive for the retention of key employees; and
- Support a culture of employee share ownership.

Under the terms of the EBS, the Board has the right to determine whether to operate the scheme as a cash based scheme or alternatively a share-based scheme in order to retain the cash reserves of the Company. Where the scheme is run as a cash based scheme, the employees are provided with the option to elect to receive their bonus in cash or "Participating Shares". Employees who receive their bonus in shares will qualify for additional "Special Bonus Shares" in the ratio of 1 additional share for every 2 participating shares.

Participation in EBS is by invite only and is not a contractual right but will include greater than 75% of all employees. The bonus shares will be subject to a 3 year continuous service condition from the date of issue. The value of the bonus shares relating to the proportion vested in the financial year is included as a share-based payment in column B in the directors' and executive officers' remuneration table in section 7.2 of the remuneration report. The value of the participating shares is disclosed as a hybrid share-based payment in column C in the directors' and executive officers' remuneration table in section 7.2 of the remuneration report. The number of shares will be calculated based upon the pre-tax cash bonus divided by the 5 day VWAP (Volume Weighted Average Price) of the Company's shares prior to the decision to award the bonus being made by the Board.

In addition, the Board can decide to grant options to a limited number of senior executives at its discretion under the ESOP (made in accordance with thresholds set in plans approved by shareholders at the 2013 AGM) for no consideration. The ESOP provides for key management personnel to receive up to 100% of compensation as an option package as a competitive incentive and retention mechanism. The ability to exercise the options is conditional on a number of conditions that include continuous service based and share price growth hurdles to be met and must be exercised between 3 and 6 years of issue. The specific conditions are determined at the time of issue in accordance with the plan.

7. Remuneration Report - Audited (cont.)

7.1 Principles of compensation (cont.)

Consequences of performance on shareholder wealth

In considering the Company's performance and benefits for shareholder wealth, the Remuneration, Nomination and Diversity Committee have regard to the following indices in respect of the current financial year.

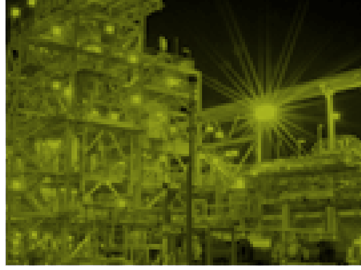
In thousands of AUD	2015	2014	2013	2012	2011
Net profit (loss) for the period	(21,471)	(5,837)	(13,382)	(3,224)	546
Dividends paid	-	-	-	-	-
Change in share price	$0.04	$(0.05)	$0.03	$(0.07)	$(0.02)
% Change in share price	43.8%	(38.5)%	30.0%	(41.2)%	(10.5)%

The consolidated entity's performance is impacted not only by market factors, but also by employee performance. However, as the projects of the consolidated entity are currently in exploration or evaluation phases, the annual profit performance is not a relevant measure of the Company's performance and hence remuneration levels for individual key management personnel are not directly linked to the annual profit or loss result but rather to the implementation of strategic milestones as we move towards production. In 2015 these strategic objectives included:

- Obtaining Government approvals for Lake Johnston to move into production;
- Expanding the resource base of Lake Johnston;
- Negotiating product offtake contracts and working capital facilities to support; and
- Ensuring that Poseidon has the human capital to complete the Lake Johnston project.

The view of the Committee is that these objectives were completed to a high standard and ordinarily would have led to an award under the EBS plan for both the CEO and executive team. However, a collapse in the nickel price to under US$6/lb has made a restart of Lake Johnston in the 2015 calendar year impractical. The Company has had to delay its projects and retrench the majority of its staff which it regrets and therefore has determined not to award under the incentive plan. The Committee believes that this aligns rewards with shareholder outcomes.

Refer to 7.3 for details of one-off bonuses paid in November 2014 under the EBS plan.



Service contracts

It is the Company's policy that service contracts for key management personnel, excluding the chief executive officer, are unlimited in term but capable of termination with between one and three months' notice, depending on the specific contract terms. The Company retains the right to terminate the contract immediately, by making payment equal to between one and three months' pay in lieu of notice. The key management personnel are also entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave together with any superannuation benefits.

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Mr D Singleton, CEO, has an employment agreement dated 2 July 2007 with the Company and was appointed as Managing Director from 1 February 2008. The agreement specifies the duties and obligations to be fulfilled by the CEO and provides that the Board and CEO will early in each financial year, consult and agree objectives for achievement during that year. Compensation levels are reviewed each year by the Remuneration, Nomination and Diversity Committee and take into account any change in the scope of the role performed and any changes required to meet the principles of the compensation policy. The CEO received an increase to base salary of 5% during the reporting period (relating to the 2014 year but implemented after the end of the year) and a bonus equivalent to 50% of salary that was awarded in shares under the EBS in 2015 (refer section 7.3).

The initial employment agreement, which was for a period of 5 years, has been extended without limitation to the term under the terms of the agreement. The agreement is capable of being terminated on three months' notice by the CEO and six months notice by the Company. The Company retains the right to terminate the agreement immediately, by making payment equal to six months' pay in lieu of notice. The CEO has no entitlement to termination payment in the event of removal for misconduct.

Non-executive directors

Total compensation for all non-executive directors, last voted upon by shareholders at the 2 July 2007 General Meeting, is not to exceed $350,000 per annum and is set based on market forces and with reference to fees paid to other non-executive directors of comparable companies. Non-executive director fees do not include options and rights that may be issued from time to time, subject to shareholder approval.

Non-executive directors receive an annual base director fee of $52,831 (except for the chairman who receives a base fee of $73,500) to cover the main board activities. Non-executive directors receive an additional payment of $5,000 for each additional committee of which they are a member. Non-executive director members who chair a committee receive a further additional payment of $10,000 for each committee chaired.

Under the Director Share Plan ("DSP") approved by shareholders at the AGM on 26 November 2014, each non-executive director has elected to receive all director fees for the period as shares in lieu of cash in order to retain the cash reserves of the Company. The value of the shares awarded to non-executive directors has been disclosed as a hybrid share-based payment in column D in the directors' and executive officers' remuneration table in section 7.2 of the directors' report.

7. Remuneration Report - Audited (cont.)

7.2 Directors' and executive officers' remuneration (Company and Consolidated)

		SHORT-TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS				
In AUD		Salary and fees $ (A)	Superannuation benefits $	Options and rights $ (B)	Shares $ (C)	Hybrids $ (D)	Other long-term benefits $ (E)	Total $
Directors								
Non-executive directors								
Mr C Indermaur (Chairman)	2015	-	-	21,400	-	93,500	-	114,900
	2014	-	-	21,400	-	80,750	-	102,150
Mr G Brayshaw	2015	-	-	5,350	-	72,831	-	78,181
	2014	-	-	5,350	-	71,551	-	76,901
Mr R Dennis	2015	-	-	13,404	-	62,831	-	76,235
	2014	284,361	24,283	13,404	141,858	-	-	463,906
Mr A Forrest	2015	-	-	-	-	-	-	-
	2014	11,553	-	-	-	-	-	11,553
Mr R Monti	2015	-	-	-	-	-	-	-
	2014	16,870	-	1,348	-	-	-	18,218
Executive directors								
Mr D Singleton, MD & CEO	2015	542,586	19,450	64,200	118,485	-	92,321	837,042
	2014	516,465	19,450	64,200	124,450	-	65,365	789,930
Executives								
Mr N Hutchison, GM Geology	2015	287,368	27,794	18,766	60,441	-	52,970	447,339
	2014	252,513	23,003	18,766	77,423	-	33,800	405,505
Mr M Rodriguez, COO	2015	403,500	25,000	26,809	90,672	-	98,251	644,232
	2014	359,130	20,833	26,809	105,216	-	49,800	561,787
Mr G Jones, CFO	2015	231,192	21,739	13,404	56,590	-	32,206	355,131
	2014	220,533	20,570	13,404	65,512	-	31,711	351,730
Total compensation: key management personnel	2015	1,464,647	93,982	163,333	326,188	229,162	275,748	2,553,060
	2014	1,661,424	108,139	164,681	514,458	152,301	180,676	2,781,680

Notes in relation to the table of directors' and executive officers remuneration

(A) Salary and fees includes base salary and fees.

(B) The fair value of the options is calculated at the date of grant using a binomial option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised as remuneration in this reporting period for services performed. In valuing the options, market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options issued to key management personnel on grant date:

Grant Date	Option life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
21 September 2010	6 years	$0.1610	$0.22	$0.215	90.0%	4.97%	0%
23 November 2010	6 years	$0.1250	$0.22	$0.175	90.0%	5.27%	0%

(C) The shares granted to executive directors and executives are the bonus shares issued in relation to EBS for the performance bonus earned in the prior reporting periods and have a 3 year continuous service and vesting period from the grant date. The value disclosed is the portion of the fair value of the shares recognised as remuneration in this reporting period for services performed. Refer to EBS in section 7.1 of the directors' report.

(D) The hybrid share-based payment represents the shares issued to non-executive directors in relation to the DSP, that allows the individual to elect whether to receive director fees as cash or shares for the current period. Refer to the EBS plan and the DSP in section 7.1 of the directors' report.

(E) Other long-term benefits are the movement in provision for annual and long service leave.

Details of performance related remuneration

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed in section 7.1 of the directors' report.

During the year the Company issued 5,830,000 shares to executive directors and executives as a bonus payment under the EBS. The share issue was in recognition of the significant achievement in delivering a number of key objectives for the Company and included the:

- acquisition of Black Swan Nickel Project from Norilsk Nickel;
- acquisition of Lake Johnston Nickel Project from Norilsk Nickel;
- execution of a nickel offtake agreement with Nickel West; and
- completion of a capital raising to provide the funding required to prepare the projects for the recommencement of operations.

The share issue allows the Company to adequately compensate the executive director and executives for their commitment to the Company, to incentivise and retain them and to continue to contribute to the Company's development and growth.

The number of shares issued was determined as being between 40% and 50% of the individual's annual salary including superannuation for the previous financial year to which an uplift factor of 150% has been applied under the terms of the EBS as the bonus has been awarded in shares and not cash (refer 7.1 for further details of the EBS and bonus awarded to the executive director).

As at 30 June as part of the assessment for the 2015 financial year, the Board has made no further awards under the EBS or ESOP scheme driven primarily by the impact of much lower commodity prices on the Company share price. This is irrespective of the major achievements made by the management team as reported in other areas of this report.

7. Remuneration Report - Audited (cont.)

7.3 Equity instruments

All options refer to options over ordinary shares of Poseidon Nickel Limited, which are exercisable on a one-for-one basis under the ESOP plan.

Analysis of options and rights over equity instruments granted as compensation

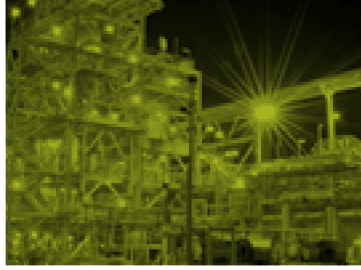
Share options

No options were granted to directors or executives during the reporting period and no options have been granted to directors or executives since the end of the financial year. Details of the vesting profile of options granted in previous years to each director or executive are detailed below.

	Number	Grant date	Financial years in which grant vests	Total expensed in period ($)
Directors				
Mr C Indermaur	1,000,000	23 November 2010	2017	21,400
Mr G Brayshaw	250,000	23 November 2010	2017	5,350
Mr R Dennis	500,000	21 September 2010	2017	13,404
Mr D Singleton	3,000,000	23 November 2010	2017	64,200
Executives				
Mr N Hutchison	700,000	21 September 2010	2017	18,766
Mr M Rodriguez	1,000,000	21 September 2010	2017	26,809
Mr G Jones	500,000	21 September 2010	2017	13,404
	6,950,000			163,333

The value of options expensed in the period is the portion of the fair value of the option recognised in the reporting period and the amount allocated to remuneration.

No options vested or lapsed during the reporting period. During the reporting period there were no shares issued on the exercise of options previously granted as compensation.



Shares

Details on shares in the Company that were granted as compensation and the vesting profile of shares granted to each director and executive during the reporting period are detailed below:

	Number	Grant date	% vested in year	Financial years in which grant vests	Fair value of shares issued during the year ($)	Total expensed in period ($)
Directors						
Mr D Singleton	1,965,000	22 November 2011	100%	2015		49,098
	2,230,000	24 November 2014	-	2017	$0.155	69,387
Executives						
Mr N Hutchison	1,055,766	27 October 2011	100%	2015		25,030
	1,000,000	7 November 2014	-	2017	$0.165	35,411
Mr M Rodriguez	1,434,759	27 October 2011	100%	2015		34,015
	1,600,000	7 November 2014	-	2017	$0.165	56,657
Mr G Jones	893,341	27 October 2011	100%	2015		21,179
	1,000,000	7 November 2014	-	2017	$0.165	35,411
	11,178,866					326,188

The shares granted to executive directors and executives are Bonus Shares issued in relation to the EBS as discussed in section 7.1 of the directors' report and have a 3 year continuous service and vesting period. The shares were awarded for performance in the 2014 financial year however the grant date was during 2015. The share-based payment expense recognised in the period for executive directors and executives is the difference between the fair value of the shares issued ($0.155 per share for executive directors and $0.165 for executives) and the purchase price ($Nil per share).

The shares vested during the period were Bonus Shares previously issued to executive directors and executives in relation to the 2011 EBS. The value of shares expensed in the period is the portion of the fair value of the shares recognised in the reporting period and the amount allocated to remuneration.

No shares were granted to directors or executives since the end of the financial year.

7. Remuneration Report - Audited (cont.)

7.3 Equity instruments (cont.)

Analysis of options and rights over equity instruments granted as compensation (cont.)

Hybrids

Details on hybrids in the Company that were granted as compensation and the vesting profile of hybrids granted to each director and executive during the reporting period are detailed below:

	Number of hybrids granted during 2015	Grant or quarter end date	% vested in year	Financial years in which grant vests	Fair value of shares issued during the year ($)	Total hybrid value ($)
Directors						
Mr C Indermaur	123,550	30 September 2014	100%	2015	$0.19	23,375
	143,931	31 December 2014	100%	2015	$0.16	23,375
	183,191	31 March 2015	100%	2015	$0.13	23,375
	168,165	30 June 2015	100%	2015	$0.14	23,375
	618,837					93,500
Mr G Brayshaw	96,238	30 September 2014	100%	2015	$0.19	18,208
	112,114	31 December 2014	100%	2015	$0.16	18,208
	142,695	31 March 2015	100%	2015	$0.13	18,208
	130,991	30 June 2015	100%	2015	$0.14	18,207
	482,038					72,831
Mr R Dennis	83,024	30 September 2014	100%	2015	$0.19	15,708
	96,720	31 December 2014	100%	2015	$0.16	15,708
	123,102	31 March 2015	100%	2015	$0.13	15,708
	113,005	30 June 2015	100%	2015	$0.14	15,707
	415,851					62,831
	1,516,726					229,162

The number and value of hybrids issued to non-executive directors in the year is the equivalent to the cash value of the director fee that has been elected to be received as shares in each quarter and vest immediately on grant. Refer to the DSP in section 7.1 of the directors' report.

The value of hybrids expensed in the period is the portion of the fair value of the hybrids recognised in the reporting period and the amount allocated to remuneration. No hybrids were granted to executives during the reporting period and no hybrids have been issued to directors or executives since the end of the financial year.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Options and rights over equity instruments

Share options

The movement during the reporting period in the number of options over ordinary shares in Poseidon Nickel Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2014	Granted as compensation	Forfeited	Held at 30 June 2015
Directors				
Mr C Indermaur	1,000,000	-	-	1,000,000
Mr G Brayshaw	250,000	-	-	250,000
Mr R Dennis	500,000	-	-	500,000
Mr D Singleton	3,000,000	-	-	3,000,000
Executives				
Mr N Hutchison	700,000	-	-	700,000
Mr M Rodriguez	1,000,000	-	-	1,000,000
Mr G Jones	500,000	-	-	500,000

No options were exercised during the period and no options held by key management personnel are vested but not exercisable at 30 June 2015 (30 June 2014: nil).

Shares

The movement during the reporting period in the number of ordinary shares in Poseidon Nickel Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2014	Granted as compensation	Purchases, sales or donations	Hybrids vested and reclassified as shares	Held at 30 June 2015
Directors					
Mr C Indermaur	3,468,535	-	-	618,837	4,087,372
Mr G Brayshaw	3,502,638	-	-	482,038	3,984,676
Mr R Dennis	3,041,567	-	-	415,851	3,457,418
Mr D Singleton	6,740,000	2,230,000	-	-	8,970,000
Executives					
Mr N Hutchison	1,530,226	1,000,000	-	-	2,530,226
Mr M Rodriguez	3,834,220	1,600,000	(2,237,157)	-	3,197,063
Mr G Jones	1,663,341	1,000,000	-	-	2,663,341

7. Remuneration Report - Audited (cont.)

7.3 Equity instruments (cont.)

Options and rights over equity instruments (cont.)

Hybrids

The movement during the reporting period in the number of hybrid shares in Poseidon Nickel Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2014	Granted as compensation	Vested and reclassified as shares	Held at 30 June 2015
Directors				
Mr C Indermaur	-	618,837	(618,837)	-
Mr G Brayshaw	-	482,038	(482,038)	-
Mr R Dennis	-	415,851	(415,851)	-

Hybrids which vest during the reporting period are reclassified as shares in the same reporting period.

8. Corporate Governance Statement

The Company's 2015 Corporate Governance Statement has been released as a separate document and is located on our website at http://www.poseidon-nickel.com.au/investors-media/corporate-governance/.

9. Dividends

The directors recommend that no dividend be declared or paid.

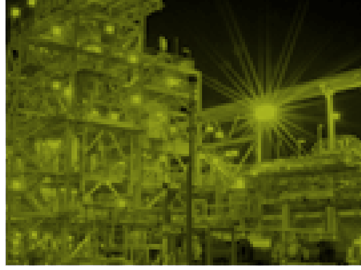
10. Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

11. Directors' Interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
Mr C Indermaur	4,087,372	1,000,000
Mr G Brayshaw	3,984,676	250,000
Mr R Dennis	3,457,418	500,000
Mr D Singleton	8,970,000	3,000,000
	20,499,466	4,750,000



12. Share Options

Options granted to directors and officers of the Company

During or since the end of the financial year, no options have been granted to directors or officers of the Company.

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
31 August 2016	0.22	2,975,000
23 November 2016	0.22	4,250,000
		7,225,000

Shares issued on exercise of options

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options.

13. Indemnification and Insurance of Officers and Auditors

Insurance premiums

The Company has agreed to indemnify the following current directors of the Company, Mr C Indermaur, Mr G Brayshaw, Mr R Dennis and Mr D Singleton against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid a premium to insure the directors and officers of the Company and its controlled entities. Details of the premium are subject to a confidentiality clause under the contract of insurance and do not contain details of the premiums paid in respect of individual offers of the Company. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

14. Non-Audit Services

During the year KPMG, the Company's auditor, has performed other services in addition to their statutory duties.

The Board considered the non-audit services provided during the previous year by the auditor and in accordance with the advice provided by the audit committee, is satisfied that the provision of the non-audit services during the year by the auditor is compatible with and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reason:

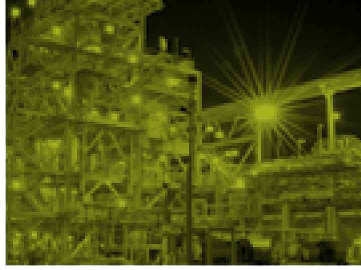
- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	CONSOLIDATED	
In AUD	2015	2014
Audit services		
Auditors of the Group - KPMG		
Audit and review of financial reports	76,475	61,580
	76,475	61,580
Services other than statutory audit		
Non-statutory review of financial reports	-	5,000
	76,475	5,000
	76,475	66,580

15. Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 90 and forms part of the directors' report for financial year ended 30 June 2015.



16. Rounding Off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

Mr G Brayshaw
Director

Perth
3 September 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

In thousands of AUD	Note	2015	2014
Assets			
Cash and cash equivalents	4.1a	4,857	4,363
Trade and other receivables	4.2	689	209
Total current assets		5,546	4,572
Property, plant and equipment	3.2	26,844	2,766
Exploration and evaluation expenditure	3.1	103,419	73,281
Other investments		119	15
Other	3.3	3,500	3,500
Total non-current assets		133,882	79,562
Total assets		139,428	84,134
Liabilities			
Trade and other payables	4.3	2,604	1,017
Loans and borrowings	5.2	-	8,378
Employee benefits		407	218
Provisions	3.4	3,500	3,500
Total current liabilities		6,511	13,113
Loans and borrowings	5.2	35,893	26,464
Convertible note derivative	5.3	2,989	1,614
Employee benefits		99	79
Provisions	3.6	42,861	-
Total non-current liabilities		81,842	28,157
Total liabilities		88,353	41,270
Net assets		51,075	42,864
Equity			
Share capital	5.1	138,387	108,875
Reserves		799	629
Accumulated losses		(88,111)	(66,640)
Total equity attributable to equity holders of the Company		51,075	42,864
Total equity		51,075	42,864

The notes on pages 54 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

In thousands of AUD	Note	2015	2014
Other income		1,052	340
Depreciation expense		(16)	(11)
Personnel expenses	2.2	(1,585)	(1,205)
Exploration and evaluation costs expensed		(3,910)	(347)
Consultancy and advisor fees		(1,816)	(1,967)
Share-based payment expense	6.1	(774)	(949)
Other expenses		(1,287)	(1,063)
Results from operating activities		(8,336)	(5,202)
Finance income		228	5,429
Finance costs		(13,363)	(6,064)
Net finance costs	2.3	(13,135)	(635)
Loss before income tax		(21,471)	(5,837)
Income tax benefit	2.4	-	-
Total comprehensive loss for the period		(21,471)	(5,837)
Earnings per share			
Basic loss per share (cents/share)	2.5	(3.44)	(1.34)
Diluted loss per share (cents/share)	2.5	(3.44)	(1.34)

The notes on pages 54 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

For the year ended 30 June 2014

In thousands of AUD	Share capital	Share-based payment reserve	Accumulated losses	Total equity
Balance at 1 July 2013	100,896	472	(60,818)	40,550
Loss	-	-	(5,837)	(5,837)
Other comprehensive income				
Total other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(5,837)	(5,837)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of share capital (net of costs)	7,979	-	-	7,979
Issue of options (net of costs)	-	172	-	172
Transfer to accumulated losses upon lapse of options	-	(15)	15	-
Total contributions by and distributions to owners	7,979	157	15	8,151
Total transactions with owners	7,979	157	15	8,151
Balance at 30 June 2014	108,875	629	(66,640)	42,864

For the year ended 30 June 2015

In thousands of AUD	Share capital	Share-based payment reserve	Accumulated losses	Total equity
Balance at 1 July 2014	108,875	629	(66,640)	42,864
Loss	-	-	(21,471)	(21,471)
Other comprehensive income				
Total other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(21,471)	(21,471)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of share capital (net of costs)	29,512	-	-	29,512
Issue of options (net of costs)	-	170	-	170
Total contributions by and distributions to owners	29,512	170	-	29,682
Total transactions with owners	29,512	170	-	29,682
Balance at 30 June 2015	138,387	799	(88,111)	51,075

The condensed notes on pages 54 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

In thousands of AUD	Note	2015	2014
Cash flows from operating activities			
Sundry receipts		796	607
Payments to suppliers and employees		(8,386)	(4,384)
Cash used in operations		(7,590)	(3,777)
Interest received		228	104
Net cash used in operating activities	4.1b	(7,362)	(3,673)
Cash flows from investing activities			
Payments for property, plant and equipment		(873)	(122)
Proceeds from sale of property, plant and equipment		-	1
Payments for exploration and evaluation expenditure		(7,685)	(4,625)
Payments for asset acquisition	3.6	(2,757)	-
Proceeds from research and development for exploration and evaluation expenditure		921	4,104
Net cash used in investing activities		(10,394)	(642)
Cash flows from financing activities			
Proceeds from the issue of shares and options (net of costs)		27,545	7,142
Payment of borrowing costs		(120)	-
Proceeds from borrowings		-	76
Repayment of borrowings		(8,000)	(76)
Interest paid		(1,175)	(1,054)
Net cash from (used in) financing activities		18,250	6,088
Net increase / (decrease) in cash and cash equivalents		494	1,773
Cash and cash equivalents at 1 July		4,363	2,590
Cash and cash equivalents at 30 June	4.1a	4,857	4,363

The notes on pages 54 to 86 are an integral part of these consolidated financial statements.

Section 1 - Basis of Preparation

Poseidon Nickel Limited presents its financial statements in a format and style that is relevant and clear to shareholders and other users. In preparing the 2015 financial statements, we have grouped notes into sections under six key categories:

1. Basis of preparation
2. Results for the year
3. Assets and liabilities supporting Exploration and Evaluation
4. Working capital disclosures
5. Equity and funding
6. Other disclosures

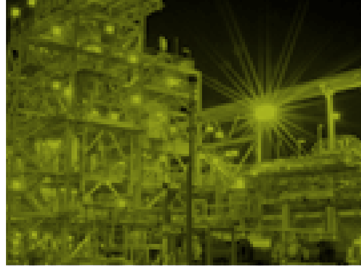
Significant accounting policies specific to one note are included within that note and where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

1.1 General information

Poseidon Nickel Limited (the 'Company') is a for profit entity domiciled in Australia. The Company's registered office is located at Level 2, Spectrum, 100 Railway Road, Subiaco WA 6008. The Group is primarily involved in exploration, mining and production of nickel and other minerals.

The consolidated financial statements comprise of the Company and its subsidiaries (collectively the 'Group') have been authorised for issue by the Board of Directors on 3 September 2015. The financial statements are general purpose financial statements which:

- Have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- Have been prepared on a historical cost basis, except for the convertible note derivative, available-for-sale financial assets and share-based payments which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- Are presented in Australian Dollars, being the Company's functional currency and the functional currency of the companies within the Group. Amounts are rounded to the nearest thousand, unless otherwise stated, in accordance with ASIC Class Order 98/100 dated 10 July 1998;
- Adopts all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2013. Refer to note 6.10 for further details; and
- Does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective. Refer to note 6.10 for further details.



1.2 Going concern

For the year ended 30 June 2015 the Company incurred a loss of $21,471,000 (2014: loss $5,837,000) that includes the movement in the valuation and interest of the convertible note liability, derivative liability, depreciation and share-based payment expense which are all non-cash items. If these items are excluded, the underlying loss for the Company for the year is $7,707,000 (2014: $5,212,000). The working capital deficit for the period of $965,000 (2014 deficit: $8,541,000) includes a provision for environmental rehabilitation of $3,500,000 that is cash backed (non-current asset). In addition, the Company has US$35 million convertible notes on issue maturing 31 March 2017 resulting in net non-current debt at 30 June 2015 of approximately $34 million.

The Company had a net cash outflow used in operating and investing activities of $17,756,000 (2014: outflow $4,315,000), reflecting the increased level of expenditure during the period on exploration, mine dewatering activities at Windarra and the acquisition of the Lake Johnston and Black Swan nickel projects from Norilsk Nickel. The net cash outflow includes the receipt of $1,388,000 for the 2014 refundable tax offset from the ATO under the Research and Development Tax Incentive scheme ("R&D"). The Company is also preparing its 2015 R&D claim which is expected to result in a $1,200,000 refundable tax offset. As at 30 June 2015, the Company had cash on hand of $4,857,000.

The Company will require further funding in order to fully fund the restart of the Lake Johnston nickel project as planned. The Board of Directors is aware, having developed a definitive feasibility study and prepared a cash flow budget, of the Company's project development and working capital requirements and is being advised by Grant Samuel to assist in developing the various alternatives towards financing the project, which will be subject to a recovery in the commodity price. The Company has minimised expenditure levels across all projects due to the current poor nickel market but may also seek to raise additional funds through capital raisings should the need arise, as it has done in the past. Should the Company be unable to raise sufficient funds, it will be necessary to delay the development of the project and further significantly reduce exploration and administrative costs.

The ability of the Company to repay, reschedule or refinance its convertible notes and the nature and timing of any such outcomes, will ultimately depend on prevailing market conditions, particularly AUD nickel prices, between the date of this report and the maturity date of the convertible notes.

The directors consider the going concern basis of preparation to be appropriate based on forecast cash flows for the next 12 months, which incorporate raising additional funds via issue of debt and/or equity instruments. Should the Company not be successful in achieving forecast cash flows, including the raising of additional funds, there is material uncertainty that may cast significant doubt about whether the Company can continue as a going concern in which case it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this financial report (refer to note 1.2 in the notes to the consolidated financial statements in relation to going concern and the Auditor's report in relation to an emphasis of matter).

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Where a joint arrangement is classified as a joint operation the Group recognises its proportionate share of revenue, expenditure, assets and liabilities.

Section 1 - Basis of Preparation (cont.)

1.4 Foreign currencies

The primary economic environment in which the Group operates is Australia. The consolidated financial statements are therefore presented in Australian dollars.

Transactions in foreign currencies are initially recorded in Australian dollars at the exchange rate on that day. Foreign currency monetary assets and liabilities are translated into Australian dollars at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year-end, a foreign exchange gain or loss may arise. Any such differences are recognised in the income statement. Non-monetary assets and liabilities measured at historical cost are translated into Australian dollars at the exchange rate on the date of the transaction.

1.5 Research and development expenditure

The Group undertakes expenditure on activities that are categorised as 'eligible expenditure' under the Research & Development Tax Concession which dependent upon certain criteria may be subject to a tax offset. Under AASB 120, where a tax offset has been received or receivable in cash, the Group accounts for the tax offset as follows:

- Where a grant is received or receivable in relation to research and development costs which have been capitalised, the tax offset shall be deducted from the carrying amount of the asset; or
- Where a grant is received or receivable in relation to research and development costs which have been charged to the profit and loss account during this or a prior financial year, the tax offset shall be credited to the profit and loss account.

1.6 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

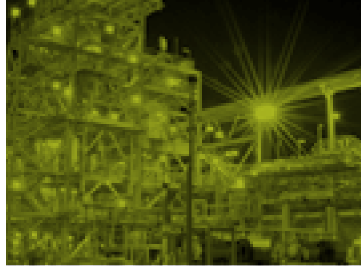
Impairment losses on available-for-sale investments are recognised by reclassifying the cumulative loss that has been recognised in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

Non-financial assets, other than deferred tax assets, are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

An impairment test is performed by assessing the recoverable amount of each asset, or cash generating unit ('CGU'). Assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and 'value in use'. The value in use is based on the present value of the future cash flows expected to arise from the asset, taking into account the risks specific to the asset or CGU.

Any impairment identified is recognised in profit or loss. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation or amortisation that would have been charged since the impairment.



1.7 Accounting judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which estimates are revised and in any future periods affected.

Judgements and estimates which are material to the financial report are found in the following areas:

- Going concern (note 1.2);
- Exploration and evaluation assets (note 3.1);
- Site restoration liability (note 3.4);
- Convertible note derivative (note 5.3); and
- Share-based payments (note 6.1).

Section 2 - Results for the Year

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating loss, taxation and earnings per share.

KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

Deferred taxation

The Group has unrecognised carry forward tax losses which can be utilised against future taxable profits. Given that the Group is not yet in production, future taxable profits are not considered probable to utilise carry forward tax losses, as such the tax asset has not been recognised.

2.1 Operating segments

For management purposes the Group has one operating segment, being nickel exploration and evaluation in Australia. Segment results that are reported to the Group chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Section 2 - Results for the Year (cont.)

2.1 Operating segments (cont.)

Information about reportable segments	NICKEL EXPLORATION AND EVALUATION	
In thousands of AUD	2015	2014
For the year ended 30 June		
Reportable segment other income	868	119
Reportable segment exploration costs expensed	(3,910)	(347)
Reportable segment (loss) before income tax	(3,042)	(228)
Reportable segment assets	133,455	79,553
Capital expenditure	23,996	191
Reconciliations of reportable segment loss and assets		
Loss		
Total loss for reportable segments	(3,042)	(228)
Unallocated amounts: other corporate expenses	(5,294)	(4,974)
Net finance income / (costs)	(13,135)	(635)
Loss before income tax	(21,471)	(5,837)
Assets		
Total assets for reportable segments	133,455	79,553
Other assets	5,973	4,581
	139,428	84,134

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2014.

2.2 Personnel expenses

ACCOUNTING POLICY

Short-term employee benefits

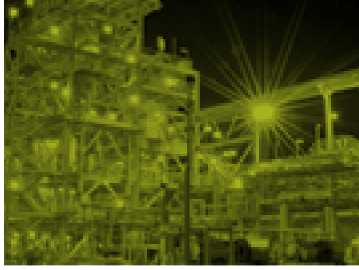
Wages, salaries and defined contribution superannuation benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Share-based payments

The policy relating to share-based payments is set out in note 6.1.



The table below sets out personnel costs expensed during the year.

In thousands of AUD	2015	2014
Wages and salaries	1,077	835
Superannuation expense	174	138
Other associated personnel expenses	153	78
Increase/(decrease) in liability for annual leave	135	(63)
Increase in liability for long service leave	46	217
	1,585	1,205

2.3 Net financing costs

ACCOUNTING POLICY

Net finance costs comprise income on funds invested, gains / losses on disposal of financial instruments, changes in fair value of financial instruments, interest expense on borrowings, impairment losses on financial assets and foreign exchange gains / losses. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

Net financing costs can be analysed as follows:

In thousands of AUD	Note	2015	2014
Interest income on bank deposits		228	82
Net gain on disposal of investments		-	-
Net foreign exchange gain		-	790
Change in fair value of convertible note derivative	5.3	-	4,557
Finance income		228	5,429
Interest expense - convertible note		(5,613)	(5,012)
Interest expense - loan		(344)	(1,018)
Interest expense - premium insurance funding		-	(5)
Net foreign exchange loss		(6,480)	-
Impairment of investments		(45)	(29)
Change in fair value of convertible note derivative	5.3	(881)	-
Finance costs		(13,363)	(6,064)
Net finance costs		(13,135)	(635)

Section 2 - Results for the Year (cont.)

2.4 Income tax expenses

ACCOUNTING POLICY

The income tax expense represents the sum of tax currently payable and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax is based on tax rates enacted or substantively enacted by the Balance Sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

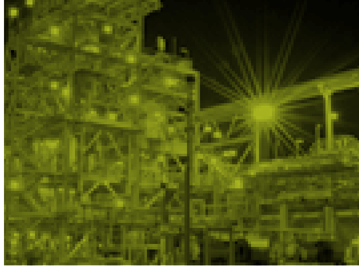
Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

a. Analysis of tax (credit) / charge in year

In thousands of AUD	2015	2014
Current tax expense		
Current year	-	-
Adjustments for prior periods	(5,406)	(1,640)
	(5,406)	(1,640)
Deferred tax expense		
Origination and reversal of temporary differences	5,406	(1,640)
	-	-
Total tax benefit / (expense)	-	-



b. Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2015	2014
Loss for the year	(21,471)	(5,837)
Total tax expense	-	-
Loss excluding tax	(21,471)	(5,837)
Income tax using the Company's domestic tax rate of 30% (2014: 30%)	(6,441)	(1,751)
Share-based payments	232	285
Other non-deductible expenses	69	35
Under / (over) provided in prior periods	(5,406)	(1,640)
	(11,546)	(3,071)
Change in deductible temporary differences	11,546	3,071
Total income tax benefit	-	-

c. Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of AUD	2015	2014
Deferred Tax Liabilities		
Exploration expenditure	(19,025)	(15,086)
Convertible note derivative	(5,802)	-
Fair value movement of convertible note derivative	-	(1,367)
Unrealised foreign exchange	-	(237)
Other items	(190)	(8)
Deferred Tax Assets		
Carry forward tax losses recognised	16,948	16,162
Loans and borrowings	6,902	-
Other items	1,167	536
Net Deferred Tax (Asset) Liability	-	-

Section 2 - Results for the Year (cont.)

2.4 Income tax expenses (cont.)

d. Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

In thousands of AUD	2015	2014
Tax losses	13,039	14,987
	13,039	14,987

At 30 June 2015, the Company has carry-forward tax losses of $29,987,000 at 30% (30 June 2014: $31,149,000) of which $16,948,000 (30 June 2014: $16,162,000) has been recognised.

Following a Company initiated review of income tax returns and a private ruling from the ATO, $5,013,000 at 30% of expenditure was identified as non-deductible and has been excluded from the Company's tax losses above.

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

2.5 Earnings (loss) per share

Basic earnings (loss) per share

Earnings (loss) per share ('EPS') is the amount of post-tax profit attributable to each share.

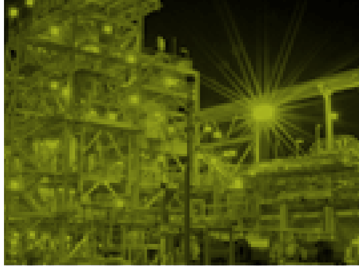
The calculation of basic EPS at 30 June 2015 was based on the loss attributable to ordinary shareholders of $21,471,000 (2014: loss $5,837,000) and a weighted average number of ordinary shares outstanding of 624,167,000 (2014: 435,679,000).

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

Earnings (loss) per share

In thousands of AUD	2015	2014
Net loss attributable to ordinary shareholders	(21,471)	(5,837)
Issued ordinary shares at 1 July	513,467	408,409
Effect of shares issued	110,700	27,270
Weighted average number of ordinary shares at 30 June	624,167	435,679
Basic loss per share (cents)	(3.44)	(1.34)
Diluted loss per share* (cents)	(3.44)	(1.34)

* The Company does not have any potential ordinary shares whose conversion to ordinary shares would have a dilutive effect. Potential ordinary shares of the Company consist of 7,225,000 dilutive share options issued. In accordance with AASB 133 'Earnings per Share' these options have been excluded from the calculation of diluted earnings (loss) per share due to their anti-dilutive effect.



Section 3 - Assets and Liabilities Supporting Exploration and Evaluation

This section focuses on the exploration and evaluation assets which form the core of the business, including those assets and liabilities which support ongoing exploration and evaluation as well as capital commitments existing at the year end.

KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

Indicators of impairment for exploration and evaluation assets

The Company has reviewed exploration and evaluation assets for indicators of impairment in accordance with AASB 6 and concluded that impairment indicators did not exist at year end. In making this assessment, management is required to make assessments on the status of each project and the future plans towards successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

Site restoration

Provisions for the costs of rehabilitation, decommissioning and restoration of the area disturbed during mining activities depends on the legal requirements at the date of decommissioning, the costs and timing of work and the discount rate to be applied. Site restoration provisions are reviewed and updated as necessary each year to reflect management's best estimates of future cost estimates and timings.

3.1 Exploration and evaluation expenditure

ACCOUNTING POLICY

Acquisition of a right to explore is capitalised. Subsequently, expenditure on exploration and evaluation activities relating to each area of interest is capitalised as incurred only where a commercially recoverable JORC compliant resource has been identified. Expenditure incurred on activities that precede establishing the existence of a commercially recoverable mineral resource is expensed as incurred. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets. Costs incurred in relation to exploration and evaluation includes acquisition of rights to explore, gathering exploration data through topographical, geochemical and geophysical studies and exploratory drilling, trenching and sampling. Directly attributable administration costs are treated as exploration and evaluation expenditure insofar as they relate to specific exploration activities. Pre-licence costs and general exploration costs not specific to any particular licence or prospect are expensed as incurred, as well as borrowing costs in connection with financing exploration and evaluation activities.

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment and any impairment loss is recognised prior to being reclassified.

Impairment

Non-current assets are tested for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. Such triggering events are defined in AASB 6 'Exploration for and Evaluation of Mineral Resources' in respect of exploration and evaluation assets and include consideration of commercial viability and technical feasibility.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than an area of interest. The Company performs impairment testing in accordance with note 1.6.

Section 3 - Assets and Liabilities Supporting Exploration and Evaluation (cont.)

3.1 Exploration and evaluation expenditure (cont.)

Details of assets in the exploration and evaluation phase can be found below:

In thousands of AUD	2015	2014
Costs carried forward in respect of areas of interest in the following phase:		
Exploration and evaluation phase	103,419	73,281
Reconciliations: Exploration and evaluation phase		
Carrying amount at beginning of year	73,281	71,931
Additions, net of research and development proceeds	8,026	1,350
Assets acquired*	22,112	-
	103,419	73,281

** Refer note 3.6.*

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Exploration expenditure of $3,910,000 (2014: $347,000) was expensed as incurred through the Income Statement for the period.

3.2 Property, plant and equipment

ACCOUNTING POLICY

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

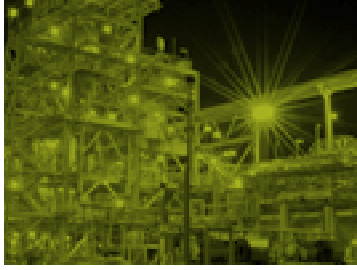
Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Items of PPE are depreciated from the date that they are installed and are ready for use. The estimated useful lives for the current and comparative periods are as follows:

- Leasehold improvements — 25 years
- Plant and equipment — 2 - 20 years
- Motor vehicles — 8 - 12 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.



In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment	Motor vehicles	Total
Cost					
Balance at 1 July 2013	1,006	210	3,212	283	4,711
Additions	-	1	191	-	192
Disposals	-	-	-	(20)	(20)
Balance at 30 June 2014	1,006	211	3,403	263	4,883
Balance at 1 July 2014	1,006	211	3,403	263	4,883
Additions (refer note (i))	-	437	23,967	30	24,434
Balance at 30 June 2015	1,006	648	27,370	293	29,317

In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment	Motor vehicles	Total
Depreciation and impairment losses					
Balance at 1 July 2013	229	173	1,134	216	1,752
Depreciation for the year	40	11	318	14	383
Disposals	-	-	-	(18)	(18)
Balance at 30 June 2014	269	184	1,452	212	2,117
Balance at 1 July 2014	269	184	1,452	212	2,117
Depreciation for the year	41	16	269	30	356
Balance at 30 June 2015	310	200	1,721	242	2,473

Carrying amounts

In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment	Motor vehicles	Total
At 1 July 2013	777	37	2,078	67	2,959
At 30 June 2014	737	27	1,951	51	2,766
At 30 June 2015	696	448	25,649	51	26,844

(i) During the year the Company acquired the assets of the Lake Johnston and Black Swan nickel operations (refer note 3.6) which included associated plant and equipment previously put on care and maintenance. Both projects remain in the exploration and evaluation phase and accordingly associated plant and equipment items are not installed and ready for use. No depreciation has been charged on these assets.

Section 3 - Assets and Liabilities Supporting Exploration and Evaluation (cont.)

3.3 Other non-current assets

The Company holds a cash collateralised security deposit of $3,500,000 (2014: $3,500,000) to cover the provision for site restoration made in recognition of an on-going commitment to the environmental rehabilitation of the Windarra mine sites.

3.4 Provisions

ACCOUNTING POLICY

Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Site rehabilitation provisions

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site rehabilitation is recognised in respect of the estimated cost of restoration of the area previously disturbed during mining activities up to the reporting date, but not yet rehabilitated.

At each reporting date the site rehabilitation provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and re added to, or deducted from, the related asset where it is possible that future economic benefits will flow to the entity.

The current site rehabilitation provision of $3,500,000 (2014: $3,500,000) is in respect of the Group's on-going obligation for the environmental rehabilitation of the Windarra mine sites. The Company continues to work with the Department of Mines and Petroleum with regards to the planning and timing of the rehabilitation.

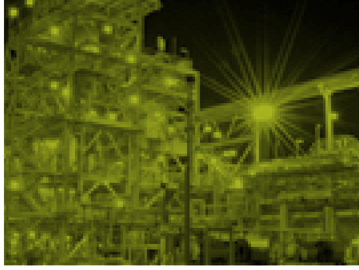
The non-current site rehabilitation provision of $42,861,000 (2014: $Nil) is in respect of the Group's on-going obligation for the environment rehabilitation following the acquisition of the Lake Johnston and Black Swan nickel operations (refer note 3.6).

3.5 Capital and other commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company and Group are required to perform minimum exploration work to meet the minimum expenditure requirements specified by the State Government. These obligations are subject to renegotiation when application for a mining lease is made and at other times. In addition, the commitments include $330,000 to meet the minimum level of expenditure required as part of the earn-in agreement with Panoramic Resources Limited (refer note 6.5). These obligations are not provided for in the financial report and are payable as follows:

In thousands of AUD	2015	2014
Less than one year	1,500	802
Between one and five years	2,713	2,361
More than five years	3,910	1,030
	8,123	4,193



3.6 Asset acquisition

The Group acquired the assets of the Lake Johnston Nickel Operation on 12 November 2014 and Black Swan Nickel Operation on 29 March 2015 from OJSC MMC Norilsk Nickel for a cash consideration of $1,000,000 and $1,500,000, respectively.

The transactions are not a business combination as the assets acquired did not meet the definition of a business as defined in the Australian Accounting Standards as at the date of acquisition, no economic resource could be established. The acquisition of the net assets meets the definition of, and has been accounted for, as an asset acquisition.

The allocation of purchase consideration, after recognising the fair value of liabilities, to each of the assets acquired was measured on a pro rata basis determined from the assessment of fair value of the asset acquired.

In thousands of AUD	**30 June 2015**
Assets	
Property, plant and equipment	23,506
Exploration and evaluation	22,112
Liabilities	
Provision for rehabilitation	(42,861)
Value of net assets acquired	2,757
Consideration	
Cash consideration	2,500
Transaction costs	257
Total consideration	2,757

The Group has engaged with experts to assist with establishing the fair value of assets and liabilities acquired.

The Group incurred acquisition-related costs of $257,000 relating to stamp duty, advisory and legal fees which are included in asset acquisition transaction costs.

Section 4 - Working Capital Disclosures

This section focuses on the cash funding available to the Group and working capital position at year end.

KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

There were no key estimations or assumptions in this section.

4.1 Cash and cash equivalents

ACCOUNTING POLICY

Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than or equal to three months from the date of acquisition. The carrying value of cash and cash equivalents is considered to approximate fair value.

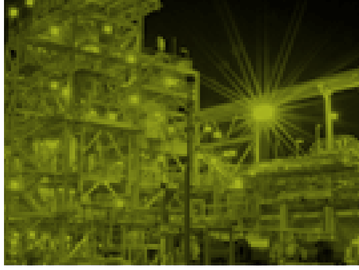
a. Cash and cash equivalents

In thousands of AUD	2015	2014
Bank balances	2,848	4,355
Term deposits	2,009	8
Cash and cash equivalents in the statement of cash flows	4,857	4,363

The effective interest rate on term deposits in 2015 was 2.36% (2014: 3.75%).

b. Reconciliation of cash flows from operating activities

In thousands of AUD	2015	2014
Cash flows from operating activities		
Loss for the period	(21,471)	(5,837)
Adjustments for:		
Depreciation	16	11
Interest expenses - convertible note derivative	5,452	5,012
Interest expenses - borrowings	343	1,023
Change in fair value of convertible note derivative	881	(4,557)
Change in fair value of available-for-sale financial assets	45	29
Net gain on shares issued to settle convertible note interest	(149)	-
Net foreign exchange (gain) loss	6,480	(790)
Equity-settled share-based payment transactions	774	949
Equity-settled professional fees	73	-
Operating loss before changes in working capital and provisions	(7,556)	(4,160)
Change in trade and other receivables	(384)	711
Change in trade payables and employee benefits	578	(224)
Net cash used in operating activities	(7,362)	(3,673)



4.2 Trade and other receivables

ACCOUNTING POLICY

Trade receivables are recognised initially at the value of the invoice sent to the counter-party and subsequently at the amounts considered recoverable (amortised cost). Where there is evidence that the receivable is not recoverable, it is impaired with a corresponding charge to the Income Statement.

Current

In thousands of AUD	2015	2014
Goods and services tax receivable	347	125
Fuel tax credits receivable	140	33
Other receivables	4	4
Other assets and prepayments	198	47
	689	209

4.3 Trade and other payables

ACCOUNTING POLICY

Trade payables are recognised at the value of the invoice received from a supplier or service provider.

In thousands of AUD	2015	2014
Trade payables	1,164	392
Other payables	872	163
Accrued interest - convertible note derivative	568	462
	2,604	1,017

Section 5 - Equity and Funding

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital, loans and borrowings and convertible note derivatives.

KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

Convertible note derivative

The fair value of the convertible note derivative is determined using a binomial option pricing model that takes account of the exercise price, the term of the option, the Company's share price at the end of the reporting period, the expected volatility of the underlying share price and the risk-free interest rate (based on government bonds). The expected volatility is based upon historic volatility (based on the remaining life of the options) adjusted for abnormal spikes in the Company's share price.

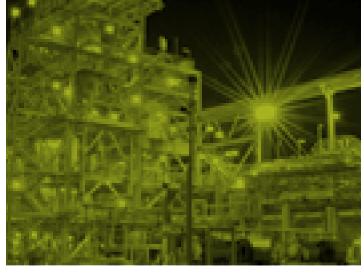
Convertible note liability

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

5.1 Capital and reserves

ACCOUNTING POLICY

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.



Share capital

In thousands of AUD	ORDINARY SHARES 2015	2014
Ordinary shares		
Fully paid	693,343	513,467
Total share capital on issue at 30 June	693,343	513,467
Movements in ordinary shares on issue:		
On issue at 1 July	513,467	409,241
Shares issued and expensed during the period:		
Issued for cash	159,989	100,994
Issued for directors fees	1,361	1,197
Issued for employee salary	-	802
Issued for professional broker fees	-	857
Issued for interest on convertible notes (i)	10,470	-
Issued for employee performance bonus	4,525	-
Issued for managing director performance bonus	2,230	-
Issued for professional fees re asset acquisition	864	-
Shares issued but expensed during the prior period:		
Issued for directors fees	437	376
On issue at 30 June	693,343	513,467

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(i) Issued as settlement of interest on the convertible note facility. The number of shares to be issued is calculated based on the 5 day VWAP of Company's share price at the date interest becomes due and payable.

Purpose of reserves

Share-based payment reserve

The share-based payment reserve is used to record the fair value of equity benefits provided to directors and employees as part of their remuneration.

Section 5 - Equity and Funding (cont.)

5.2 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 6.2.

In thousands of AUD	2015	2014
Current		
Borrowings	-	8,378
Total borrowings - current	-	8,378
Non-current		
Convertible note liability	35,893	26,464
Total borrowings - non-current	35,893	26,464

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				30 JUNE 2015		30 JUNE 2014	
In thousands of AUD	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Convertible note*	USD	5.00%	2017	45,413	35,893	37,127	26,464
Borrowings	AUD	12.34%	2015	-	-	8,378	8,378
Total interest-bearing liabilities				45,413	35,893	45,505	34,842

* This includes the convertible note liability and derivative disclosed at note 5.3.

Convertible note liability

ACCOUNTING POLICY

The liability component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The embedded derivative component is recognised initially at fair value and the liability component is calculated as the difference between the financial instrument as a whole and the value of the derivative at inception. Any directly attributable transaction costs are allocated to the convertible note liability and convertible note derivative in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible note is measured at amortised cost using the effective interest method.

In thousands of AUD	2015	2014
Carrying amount of liability at beginning of period	26,464	22,734
Exchange rate effects	5,986	(820)
Accrued interest capitalised	5,613	5,012
Payment of interest	(2,170)	(462)
Carrying amount of liability at end of period	35,893	26,464

The Company has on issue a US$15,000,000 and a US$20,000,000 Convertible Note that were issued on 28 March 2011. The notes are convertible into ordinary shares of the Company at the option of the holder at any time up to 28 March 2017. The conversion rates for the notes are fixed at AU$0.40 and AU$0.30 respectively. The instrument was interest free for the first three years and then bears a coupon rate of 5% thereafter until maturity. On maturity the notes will be repayable in cash. The carrying amount of the liability has been calculated as the discounted original fair value, accrued for interest plus exchange adjustments.

5.3 Convertible note derivative

ACCOUNTING POLICY

Derivative financial instruments are stated at fair value. The fair value of the derivative has been valued using a valuation technique including inputs that include reference to similar instruments and option pricing models which is updated each period. Gains and losses arising out of changes in fair value of these instruments together with settlements in the period are accounted for through the Income Statement through net finance costs.

The convertible note liability and derivative are removed from the Statement of Financial Position when the obligations specified in the contract are discharged, this can occur upon the option holder exercising their option or the option period lapses requiring the Company to discharge the obligation. Both the convertible note liability and derivative are classified as current liabilities as the option holder has the right to convert at any time.

In thousands of AUD	2015	2014
Carrying amount of derivative at beginning of period	1,614	6,142
Fair value movement	881	(4,557)
Exchange rate effects	494	29
Carrying amount of derivative at end of period	2,989	1,614

The value of the derivative fluctuates with the Company's underlying share price and the difference in the Company's share price between 30 June 2014 (share price $0.08) and 30 June 2015 (share price $0.115) is reflected in the fair value movement.

As the convertible notes are denominated in United States dollars (USD), the change in the exchange rate with the Australian dollar (AUD) is also taken into account in deriving the fair value movement during the period. The USD:AUD exchange rate at 30 June 2014 was 0.9427:1 and at 30 June 2015, 0.7707:1.

Refer to note 6.2 for details of fair value and sensitivities analysis.

Section 5 - Equity and Funding (cont.)

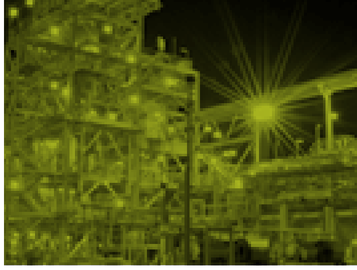
5.4 Capital management

Capital consists of ordinary share capital, retained earnings, reserves and net debt. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may issue new shares or allow employees to participate in a share rather than cash bonus scheme.

The Group encourages employees to be shareholders and has put in place a scheme whereby employees can convert their cash bonuses into shares. This ensures that an optimal cash balance can be maintained whilst ensuring strong employee retention.

The Group management defines net debt as total borrowings (note 5.2) less cash and cash equivalents (note 4.1) and equity as the sum of share capital, reserves and retained earnings as disclosed in the statement of financial position. The gearing ratio for the current year was 60% (2014: 71%) for the Group. Refer to note 1.2 for the Group's capital management as it implies to going concern.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.



Section 6 - Other Disclosures

The disclosures in this section focus on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

Share-based payments

The fair value of employee share options is measured using the binomial option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term) and weighted average expected life of the instruments (based on historical experience), expected dividends and the risk free interest rate (based on government bonds). Service and non-market conditions are not taken into account in determining fair value.

6.1 Share-based payments arrangements

ACCOUNTING POLICY

The Group annual short-term incentive (STI) program provides share-based payment arrangements where the employees have the choice of settling the STI in cash or equity. The directors can also elect to take their annual remuneration in cash or equity. These represent compound financial instruments with potential debt and equity components.

The fair value of the compound instrument is determined by reference to the Director Share Plan and approved annual director fees and is allocated fully to the debt component when the fair value of the cash and equity settlement alternatives are equal. The Group recognises an expense for the debt component and an equivalent liability as services are provided by employees and directors during the performance year, based on the approved STI bonus if any, and director fees (i.e. recognised progressively over the vesting period). If the Group issues shares to settle the liability, the liability is transferred to equity at settlement date.

Where the fair value of an employee share option has been recognised as a share-based payment and the option lapses at expiry, the total amount of the share-based payment expense is transferred from the Shares Based Payment Reserve to Accumulated Losses.

The share-based payment expense included within the Income Statement can be broken down as follows:

In thousands of AUD	2015	2014
Share options expense	171	172
Shares granted expense	374	625
Hybrids expense	229	152
Total expenses recognised as employee costs	774	949

Section 6 - Other Disclosures (cont.)

6.1 Share-based payments arrangements (cont.)

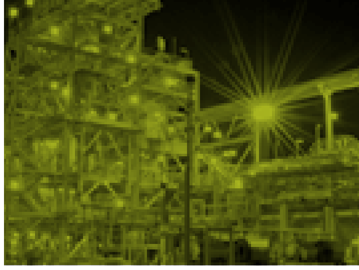
Share options

The Board can decide to grant options to a limited number of senior executives at its discretion under the Poseidon Employee Option Plan ("ESOP") (made in accordance with thresholds set in plans approved by shareholders at the 2013 AGM). The ESOP provides for key management personnel to receive up to 100% of compensation as an option package as a competitive incentive and retention mechanism. The ability to exercise the options is conditional on a number of conditions that include service based and share price performance hurdles and must be exercised between 3 and 6 years of issue.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2015	Number of options 2015	Weighted average exercise price 2014	Number of options 2014
Outstanding at 1 July	$0.220	7,225,000	$0.220	7,475,000
Exercised during the period	-	-	-	-
Granted during the period	-	-	-	-
Lapsed or forfeited during the period	-	-	$0.220	(250,000)
Outstanding at 30 June	$0.220	7,225,000	$0.220	7,225,000
Exercisable at 30 June	-	-	-	-

The options outstanding at 30 June 2015 were issued to directors on 23 November 2010 and executives on 21 September 2010 and have an exercise price of $0.22 (2014: $0.22) and a remaining weighted average contractual life of 2 years (2014: 3 years). The options are subject to a three year service period and share price hurdles.



Shares

The Board can decide to issue shares in relation to the short-term performance bonus under the Poseidon Employee Bonus Scheme ("EBS"). The shares are subject to a three year continuous service condition from the date of issue.

The fair value of services received in return for shares granted is based on the fair value of shares granted, which is measured using the difference between the purchase price and the share price on the grant date.

The terms and conditions related to share grants are as follows:

Grant date / employees entitled	Number of Instruments	Vesting conditions
Shares granted to employees for 2014 performance bonus on 7 November 2014	4,525,000	The shares have a 3 year vesting period
Shares granted to the managing director in recognition of over and above performance on 16 December 2014	2,230,000	The shares have a 3 year vesting period
Total shares	6,755,000	

The number and weighted average purchase price of shares is as follows:

	Weighted average fair value 2015	Number of shares 2015	Weighted average fair value 2014	Number of shares 2014
Outstanding at 1 July	$0.21	7,460,398	$0.21	7,460,398
Vested during the period	$0.21	(7,460,398)	$0.08	(802,398)
Forfeited during the period	-	-	-	-
Granted during the period	$0.16	6,755,000	$0.08	802,398
Outstanding at 30 June	$0.16	6,755,000	$0.21	7,460,398

The shares outstanding at the end of 30 June 2015 were issued to directors on 26 November 2014 and executives on 7 November 2014 and have a remaining weighted average contractual life of 3 years. The shares were granted for performance in relation to the 2014 financial year.

The fair value of services received in return for shares granted is based on the fair value of shares granted, which is measured using the difference between the purchase price and the share price on the grant date.

Hybrids

The fair value of hybrids granted is equal to the value of cash compensation that has been elected to be taken as shares by non-executive directors under the terms of the Director Share Plan ("DSP"). The number of hybrids granted is calculated by dividing the value of cash compensation by the 5 days volume weighted average price of the Company's shares at the date of grant.

During the year ended 30 June 2015, there were 1,516,726 hybrids granted under the terms of the DSP. There were no hybrids outstanding at the end of the period (2014: nil) as the hybrids vested immediately upon grant. The hybrids granted during the period have a purchase price and fair value in the range of $0.128 to $0.189 (2014: $0.074 to $0.120).

Section 6 - Other Disclosures (cont.)

6.2 Financial risk management

ACCOUNTING POLICY

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in the statement of financial position in accordance with IAS 39 Financial Instruments:

- 'Loans and receivables' - separately disclosed as cash and cash equivalents and trade and other receivables;
- 'Available-for-sale financial assets' - measured at fair value through other comprehensive income;
- 'Financial assets/liabilities at fair value through profit or loss' - separately disclosed as derivative financial instruments in assets/liabilities and included in non-current other payables; and
- 'Financial liabilities measured at amortised cost' - separately disclosed as borrowings and trade and other payables.

Judgement is required when determining the appropriate classification of the Group's financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note.

Recognition and de-recognition of financial assets and liabilities

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the statement of financial position when contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

Overview

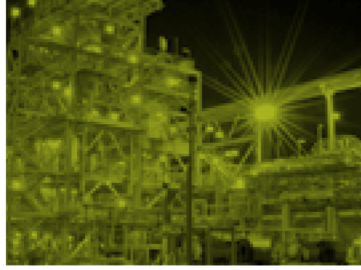
The Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk Management Committee which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.



Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Investments, banks and financial institutions

The Group limits its exposure to credit risk by only transacting with high credit quality financial institutions. The Group had cash and cash equivalents of $4,857,000 (2014: $4,363,000) and other assets, a security deposit of $3,500,000 (2014: $3,500,000) that were held with bank and financial institution counterparties which are rated A to AA-, based on Standard and Poors ratings.

Trade and other receivables

As the Group operates in the mining exploration sector, the Group generally does not have trade receivables (only fuel tax and GST), therefore is not generally exposed to credit risk in relation to trade receivables. The Group however, provides security deposits as part of its exploration activities which exposes the Group to credit risk.

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the reporting date there are generally no significant concentrations of credit risk other than the transaction disclosed above.

As the Group is not trading there are no financial assets past due and there is no management of credit risk through performing an aging analysis, therefore an aging analysis has not been disclosed.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also manages liquidity risk by producing monthly cash-flow forecasts for the current and future financial year to ensure that there is a clear and up-to-date view of the short-term to medium term funding requirements. These are regularly reviewed by management and the Board where the implications on funding requirements and the possible sources of those funds are discussed, decisions taken when necessary and action taken to secure funding if required (refer to note 1.2 on going concern). The Group manages liquidity risk by maintaining adequate reserves through continuous monitoring of forecast and actual cash flows. The Group has a policy of raising both convertible debt and equity fundraising in order to manage its liquidity risk.

Section 6 - Other Disclosures (cont.)

6.2 Financial risk management (cont.)

Liquidity risk (cont.)

The following are the earliest contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated

30 June 2015						CONTRACTED
In thousands of AUD	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	2,604	2,604	-	-	-	-
Convertible note	35,893	-	-	45,413	-	-
	38,497	2,604	-	45,413	-	-

Consolidated

30 June 2014						CONTRACTED
In thousands of AUD	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	1,017	1,017	-	-	-	-
Bridge loan	8,378	8,641	-	-	-	-
Convertible note	26,464	-	-	-	37,127	-
	35,859	9,658	-	-	37,127	-

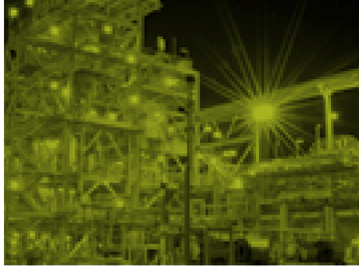
1. The balances above will not always agree to the financial statements as the contracted cash-flows above are undiscounted. The carrying amount is the balance as recognised in the Statement of Financial Position;
2. As the convertible note liability (including the associated derivative) can only be paid out in shares and not cash during its term, the repayment is shown at maturity in 2017;
3. The maturity analysis has assumed the earliest contractual maturity of the convertible notes for a payment in cash. Interest on the convertible note is not due until year 4 of the 6 year term and at the Group's discretion, can be settled in shares. As such, no interest payments have been included in the analysis.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) Currency risk

The Group is exposed to currency risk on cash and borrowings that are denominated in a currency other than the functional currency of Group entities, the Australian dollar (AUD). The currency in which these transactions are denominated are United States Dollars (USD).



Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows:

	30 JUNE 2015		30 JUNE 2014	
In thousands of AUD	AUD	Total	AUD	Total
Convertible note derivative	(2,989)	(2,989)	(1,614)	(1,614)
Convertible note liability	(35,893)	(35,893)	(26,464)	(26,464)
Gross statement of financial position exposure	(38,882)	(38,882)	(28,078)	(28,078)

Sensitivity analysis

The following sensitivities have been applied for 2015 and 2014 based upon published 12 month forward rates:

- A 5% weakening of AUD against the USD with the equal effect in the opposite direction will increase the fair value of the convertible note derivative and liability by $1,945,000 (2014: $1,403,000).

(b) Interest rate risk

The Group is exposed to interest rate risk due to variable interest being earned on its interest bearing bank accounts and the value of the convertible note derivative (as the derivative fluctuates both with the underlying company share price and the risk free rate of interest). The Group adopts a policy of periodically reviewing interest rates to ensure the Group is earning the optimal interest income.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of AUD	2015	2014
Fixed rate instruments		
Cash and cash equivalents	2,009	8
Convertible note liability	35,893	26,464
In thousands of AUD		
Variable rate instruments		
Cash and cash equivalents	2,821	4,334
Convertible note derivative	2,989	1,614
Security deposits - environmental bond	3,527	3,521

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss.

Cash flow sensitivity analysis for variable rate instruments

As at 30 June 2014 and 2015 a sensitivity analysis has not been disclosed in relation to the floating interest deposits and convertible note derivative as the results have been determined to be immaterial to the Statement of Profit or Loss and Other Comprehensive Income.

Section 6 - Other Disclosures (cont.)

6.2 Financial risk management (cont.)

(c) Equity price risk

The Group is exposed to equity price risk on its financial liabilities and equity investments. The liability fluctuates with the Group's underlying share price until either the convertible note is repaid by the Group or the option holder converts.

The Group has no policy for mitigating potential adversities associated with its own equity price risk given its dependence on market fluctuations. In relation to equity price risk arising on other investments balances, the Group regularly reviews the prices to ensure a maximum return.

Price risk sensitivity

Equity price risk

In relation the convertible note derivative, the Group have used an equity price change of 80% (2014: 80%) upper and lower representing a reasonable possible change based upon the Company's historic share price volatility over the last 3 years of trading. At the reporting date an increase of this magnitude would have increased profit and loss by $6,219,000 (2014: $3,218,000). An equal and opposite decrease would have reduced profit and loss by $2,932,000 (2014: $1,575,000).

In relation to the available-for-sale assets, the Group is exposed to equity price risk, however it is not considered to be material.

Fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The different valuation methods are called hierarchies and they are described below:

	LEVEL	CARRYING AMOUNT		FAIR VALUE	
In thousands of AUD		2015	2014	2015	2014
Financial assets and liabilities measured at fair value					
Convertible note derivative	Level 2	2,989	1,614	2,989	1,614
Listed equity securities	Level 1	119	15	119	15
		3,108	1,629	3,108	1,629
Financial assets and liabilities not measured at fair value					
Convertible note liability	Level 2	35,893	26,464	42,044	35,142

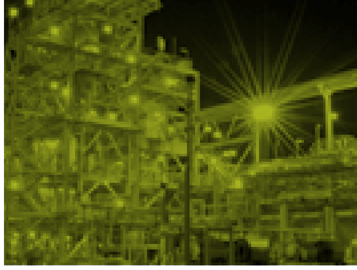
Fair value hierarchy

Level 1 - the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - the fair values are measured using inputs (other than quoted prices) that are observable for the asset or liability either directly or indirectly; or

Level 3 - the fair values are measured using inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents, trade and other receivables, trade creditors, other creditors and accruals have been excluded from the above analysis as their fair values are equal to the carrying values.



The fair value of convertible note derivatives is determined using a binomial option pricing model. The key drivers of this value include the Company's own share price and the foreign exchange rate. Sensitivities considering reasonably possible movements in these assumptions are included above.

The fair value of the convertible note liability is based on discounted cashflows using 4% - 5% and is classified as level 3 value in the fair value hierarchy due to unobservable input, including own credit risk.

6.3 Related parties

The key management personnel compensation included in 'personnel expenses' (note 2.2) and 'share-based payments' (note 6.1), is as follows:

In thousands of AUD	2015	2014
Short-term employee benefits	1,464	1,661
Other long-term benefits	276	181
Post-employment benefits	94	108
Share-based payments	719	832
	2,553	2,782

Individual directors and executives compensation disclosures

Information regarding individual directors and executive's compensation and some equity instruments disclosures as required by S300A of the Corporations Act and Corporations Regulations 2M.3.03 are provided in the remuneration report section of the directors' report in section 7.6.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Other key management personnel transactions

In March 2012 and subsequently varied on 25 June 2013 and 30 September 2013, the Company entered into an $8,000,000 unsecured Bridge Loan with Forrest Family Investments ("FFI" or "the Lender"). The loan was negotiated on commercial terms and conditions and has been repaid in full on 29 October 2014.

6.4 Group entities

Significant subsidiaries

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
Parent entity		2015	2014
Poseidon Nickel Ltd			
Significant subsidiaries			
Poseidon Nickel Atlantis Operations Pty Ltd	Australia	100%	100%
Poseidon Nickel Olympia Operations Pty Ltd	Australia	100%	100%

In the financial statements of the Company, investments in subsidiaries are measured at cost. The Company has no jointly controlled entities.

Section 6 - Other Disclosures (cont.)

6.5 Joint arrangements

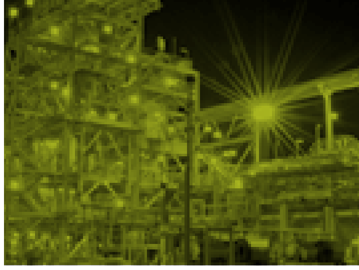
The Company has an agreement with Panoramic Resources Limited ("Panoramic") (who acquired Magma Metals Limited with whom the original agreement was entered into), for Poseidon to earn into the nickel, copper and PGE rights to a large tenement package adjoining the Windarra Nickel Project. The Company can earn a 60% interest in the rights during the earn in period to June 2017 for an expenditure of $3,000,000, following which Panoramic have the right to make an election to either contribute its share to further exploration expenditure, or assign a further 20% interest to Poseidon. The Company currently hold 0% equity interest in the joint venture. Alternatively, the Company has the right to terminate the agreement once total expenditure of $1,000,000 has been incurred on the project.

An amount of $148,662 (2014: $157,069) has been incurred in relation to the joint arrangement which represents exploration expenditure and is included in the total exploration costs expensed in the Statement of Comprehensive Income of $3,910,000 (2014: $347,000).

6.6 Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2015 the parent company of the Group was Poseidon Nickel Limited.

In thousands of AUD	2015	2014
Results of the parent entity		
Loss for the period	(21,471)	(5,837)
Other comprehensive income / (loss)	-	-
Total comprehensive loss for the period	(21,471)	(5,837)
Financial position of the parent entity at year end		
Current assets	5,546	4,572
Total assets	139,428	84,134
Current liabilities	6,511	13,113
Total liabilities	88,353	41,270
Total equity of the parent entity comprising of:		
Share capital	138,387	108,875
Share-based payments reserve	799	629
Accumulated losses	(88,111)	(66,640)
Total equity	51,075	42,864
Exploration expenditure commitments of the parent		
Less than one year	1,120	802
Between one and five years	2,673	2,361
More than five years	3,775	1,030
	7,568	4,193



6.7 Subsequent events

There has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

6.8 Auditors' remuneration

		CONSOLIDATED
In AUD	2015	2014
Audit services		
Auditors of the Group - KPMG		
Audit and review of financial reports	76,475	61,580
	76,475	61,580
Services other than statutory audit		
Non-statutory review of financial reports	-	5,000
	76,475	5,000
	76,475	66,580

6.9 Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies as set out in the notes to the consolidated financial statements to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with date of initial application of 1 July 2013.

a. Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7); and
b. Recoverable Amount Disclosures for Non-Financial Assets (amendments to AASB 136) (2013).

These revised standards have had no material impact on the Group's Financial Statements.

Section 6 - Other Disclosures (cont.)

6.10 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 *Financial Instruments*

AASB 9, published in July 2014, replaces the existing guidance in AASB 39 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 39.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The adoption of this standard is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 *Revenue*, AASB 11 *Construction Contracts and IFRIC 13 Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017. Early adoption is permitted, however the IASB and AASB have proposed a one year deferral to IFRS/AASB 15, which if approved would move the effective date to annual reporting periods commencing on or after 1 January 2018.

The Group is in the process of assessing the impact of this standard on the financial statements, which has not yet been finalised.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2015

1. In the opinion of the directors of Poseidon Nickel Limited ("the Company"):

   (a) the consolidated financial statements and notes that are set out on pages 54 to 86 and the remuneration report in section 7.6 in the directors' report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2015.

3. The directors draw attention to note 1.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

G F Brayshaw

Mr G Brayshaw
Director

Perth
3 September 2015

Independent auditor's report to the members of Poseidon Nickel Limited

Report on the financial report

We have audited the accompanying financial report of Poseidon Nickel Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, Notes 1.1 to 6.10 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1.1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.1.

Material uncertainty regarding continuation as a going concern

Without modifying our opinion expressed above, attention is drawn to Note 1.2 in the financial report. The matters set forth in Note 1.2 indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in Section 7 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Poseidon Nickel Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

3 September 2015

LEAD AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2015

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Poseidon Nickel Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Trevor Hart
Partner

Perth

3 September 2015

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The shareholder information set out below was applicable as at 24 August 2015.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	CLASS OF EQUITY SECURITY	
	Number of Holders	Fully Paid Ordinary Shares
1 - 1,000	1,863	851,045
1,001 - 5,000	2,300	7,072,033
5,001 - 10,000	1,326	10,859,562
10,001 - 100,000	3,003	113,116,829
100,001 and over	723	565,662,809
	9,215	697,562,278

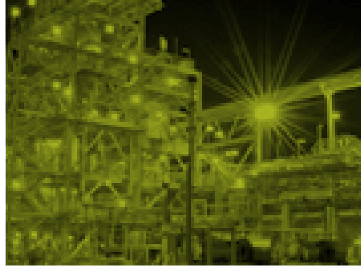
There were 4,862 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	ORDINARY SHARES	
Name	Number held	Percentage of issued shares
Forrest Family Investments Pty Ltd <Peepingee A/C>	119,999,874	17.20
J P Morgan Nominees Australia Limited	42,279,247	6.06
Citicorp Nominees Pty Limited	27,530,886	3.95
Gwynvill Trading Pty Ltd	11,714,286	1.68
Mindaroo Pty Ltd <Andrew & Nicola Forrest Family>	9,825,000	1.41
HSBC Custody Nominees (Australia) Limited	9,223,107	1.32
Fanchel Pty Ltd	8,216,900	1.18
Mr David Singleton	6,070,000	0.87
Mr David Graham Lacey + Mrs Deborah Fiona Lacey	5,211,000	0.75
ABN Ambro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	4,761,637	0.68
Colenew Pty Ltd <Paul Xiradis A/C>	4,200,000	0.60
Mr Lay Ann Ong	4,100,000	0.59
Mr Jimmy Thomas + Ms Ivy Ruth Ponniah <Thomas Super Fund A/C>	4,000,000	0.57
National Nominees Limited	3,932,772	0.56
Mr Christopher Charles Indermaur + Mrs Rena Elizabeth Indermaur <Indermaur Family S/F A/C>	3,736,016	0.54
Mr Robert Dennis	3,714,245	0.53
J & F James Brothers Holdings Pty Ltd	3,389,625	0.49
Nefco Nominees Pty Ltd	3,300,000	0.47
Wisegroup Investments Pty Ltd	3,219,040	0.45
Mr John Barry Lemke	3,000,000	0.43
TOTAL	281,333,635	**40.33**



C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Ordinary shares		
Forrest Family Investments Pty Ltd <Peepingee A/C>	119,999,874	17.20%
J P Morgan Nominees Australia Limited	42,279,247	6.06%

D. Unquoted equity security holders (as at 24 August 2015)

	Number held	Percentage
Unlisted options - 31 August 2016		
Mr Michael Rodriguez	1,000,000	33.61%
Mr Neil Hutchison <Hutchison Family A/C>	700,000	23.53%

	Number held	Percentage
Unlisted options - 23 November 2016		
Mr David Singleton	3,000,000	70.59%
Mr Christopher Indermaur	1,000,000	23.53%

E. Voting rights

Ordinary shares

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

(a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each Fully Paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote per share, but in respect of Partly Paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

F. Schedule of Tenements

Areas of Interest	Tenements	Economic Entity's Interest
Western Australia		
- Windarra Nickel Assets	MSA 38/261, G38/21, L38/121, L39/184, L38/199, L38/218, L39/221	100%
- Windarra South	L38/119, L38/122, L38/220	100%
- Woodline Well	M39/1075, L39/224	100%
- Pool Well	M38/1243, M38/1244, M38/1245, L38/118	100%
- Brown Well	P38/3989, P38/3990, P38/3991	100%
	E63/0585, E63/0837, E63/1067, E63/1135, E63/1138, E63/1140, G63/0004, G63/0005, L63/0051, L63/0052, L63/0055, L63/0057, M63/0163, M63/0282, M63/0283, M63/0284, M63/0292, M63/0293, M63/0294, M63/0302, M63/0522, M63/0523, M63/0524, P63/1527	100%
- Lake Johnston Nickel Assets	E63/0625	50%
- Black Swan Nickel Assets	E27/0357, M27/0039, M27/0200, M27/0216, P27/1808, P27/1809, P27/1810, P27/1811, L27/0058, L27/0058, L27/0059, L27/0074, L27/0075, L27/0077, L27/0078	100%

E = Exploration Licence, M = Mining Lease, MSA = Mining Tenement State Act, PL = Prospecting Licence, L = Miscellaneous Licence

CORPORATE DIRECTORY.

Poseidon Nickel Limited

ABN: 60 060 525 206

Incorporated in Australia

Directors

Mr C Indermaur

Mr G Brayshaw

Mr R Dennis

Mr D Singleton

Company secretary

Mr R Kestel

Registered office

Level 2, 100 Railway Road

Subiaco WA 6008

Principal office

Unit 8, Churchill Court

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Subiaco WA 6008

W: www.poseidon-nickel.com.au

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T: +61 8 6167 6600

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Postal address

PO Box 190

West Perth WA 6872

Auditors to the Company

KPMG

Chartered Accountants

235 St George's Terrace

Perth WA 6000

Share registry

Computershare Investor

Services Pty Ltd

Level 11, 172 St George's Terrace

Perth WA 6000

ASX Code

Shares: POS

Country of incorporation and domicile

Australia

AUSTRALIA'S NEW NICKEL

Disclaimer: One of the key beliefs shared by the Board and Management of Poseidon is the tremendous prospectivity of the Windarra nickel belt. To recap, Poseidon holds under a State Act of Parliament, a lease which covers a kilometre long ultramafic which has produced 2 of Australia's larger mines in the north at Mt Windarra and 18 kilometres along the strike at South Windarra. The reason for the belief in further ore discoveries is that crucially there have been 2 major developments in nickel exploration since the 1970's and 1980's. The first of these is the geological understanding of the formation of nickel sulphide ore bodies.

POSEIDON NICKEL

AUSTRALIA'S NEW NICKEL

www.poseidon-nickel.com.au
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