Annual Report 2019

Contents

Photography by Craig Kinder (F22) and Poseidon Nickel employees.
Front cover top image: Jumbo Operator at Black Swan
Front cover left image: Black Swan tailings sonic drilling
Front cover right image: Underground drilling at Silver Swan

POSEIDON NICKEL ONLINE

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www.poseidon-nickel.com.au

A MESSAGE FROM
THE CHAIRMAN

With the continued improvement in the nickel price we expect to progress further over the coming twelve months on the path to production.

We work hard to ensure that all personnel recognise and fulfil their environmental responsibilities. Poseidon believes that care for the environment is an integral part of sustainable business activities.

Since my last annual report as Chairman of Poseidon Nickel Limited, the nickel market has continued to tease and frustrate the nickel mining industry. From a nickel price below US$5.00 in early 2019 to hovering above $8.00 during the early part of September 2019 and LME stocks continuing to fall below levels not seen for over 5 years, all signals point to an improved nickel market going ahead. With the continued improvement in the nickel price we expect to progress further over the coming twelve months on the path to production.

In the period since last year we have concentrated on four areas of our operation:

- Continue with several separate drilling programs at the Black Swan operation, to both de-risk our existing ore reserve/resource position as well as expand with a view to increasing our mine life;
- Progress mine and plant rehabilitation at Black Swan operation and continue to prepare for restart as nickel price economics improve;
- Containing our corporate, care and maintenance overheads during this period;
- Continue to refine our mine restart metrics, both as to capital and approach to de-risk all aspects, and ensure the most safe and efficient methodology going forward.

At the same time we have continued to converse and liaise with other corporations with nickel interests adjacent or near adjacent to our plant operations, seeking to explore opportunities which may jointly benefit Poseidon and other nickel producers.

We have recently moved to consolidate our Executive team within the Poseidon corporate structure with the appointment of our new CFO, Brendan Shalders, as from early September, and with the recent retirement of Rob Dennis from his role as CEO and Managing Director. We have appointed Mr David Riekie as interim CEO whilst the Company concludes the appointment of our incoming CEO. David has worked alongside our retiring CEO for over 6 months and is well positioned to drive the Company's current and future undertakings.

I would like to express my thanks and appreciation for the many years Rob has contributed to Poseidon, and particularly the last 12 months in his work to ready the Black Swan operation for mine readiness.

I would also like to place on record our appreciation for the contribution by our Geology team over a number of years, initially lead by Neil Hutchison and more recently Steve Warriner who worked with Neil during this period. Great credit goes to this team for identifying and successfully drilling areas including Cerberus, Abi Rose and more recently the successful drilling at Black Swan and Silver Swan.

I also thank the Board for their considerable input during a period following a significant corporate transition. With an added perspective on what is possible, given the significant support offered by our two major shareholders, Black Mountain Metals Pty Ltd and Squadron Resources Pty Ltd, the Board have reshaped the Company's longer term strategy beyond the immediate asset holdings at Black Swan, Lake Johnston and Windarra.

Finally, I thank all of our loyal shareholders and stakeholders and hope that our next 12 months takes us further on the ride to production.

Geoff Brayshaw
Chairman

"...the nickel market has continued to tease and frustrate the nickel mining industry."

CEO'S REPORT

The continued decline of the LME nickel metal stocks and the forecast shortfall in available refined nickel provides a confidence that we will see a heightened nickel price in the near future.

The first stage of the Silver Swan underground rehabilitation commenced on 25th February 2019 and ran to mid May 2019. The jumbo is pictured installing and replacing mesh in key areas of the mine.

Jumbo entering Silver Swan decline.

This has been a year of change for Poseidon. In September 2018, following the completion of a detailed feasibility study to recommence mining and nickel concentrate production at Black Swan, and a then steadily rising nickel price, the Company successfully raised $75m through a share placement and a renounceable entitlement issue.

To complement the success of the fund-raising, exploration drilling at Lake Johnston's Abi Rose deposit intersected further nickel copper sulphides. The results indicating the potential for an intrusive style nickel deposit, presenting a significant exploration opportunity for the future.

Black Mountain Metals Pty Ltd (BMM) and Squadron Resources Pty Ltd (Squadron) emerged as our major shareholders following the fund raising leading to further change, with Felicity Gooding representing Squadron and Karl Paganin representing BMM joining the Board, and our long-standing directors David Singleton and Chris Indermaur retiring from the Board.

With new direction and a steady decline in the nickel price following its June 2018 peak, the Company positioned itself to conserve expenditure to preserve the funds for the planned Black Swan restart. To ensure an ability for a rapid execution of the restart project, all aspects of the project have been reviewed and improved with a focus on de-risking. One key aspect has been the successful diamond drilling at Silver Swan to confirm and improve this resource.

The continued decline of the LME nickel metal stocks and the forecast shortfall in available refined nickel provides a confidence that we will see a heightened nickel price in the near future. This confidence is supported by the potential for increased demand for Nickel to satisfy the battery market for electric vehicles and renewable power generation storage. Our continued monitoring of the nickel price through sources such as the nickel trading companies also supports our view.

To continuously improve planning for the restart of Black Swan, a number of projects have been completed, the most significant being the diamond drilling of the Silver Swan resource. This drilling has confirmed our forecast high grade nickel resource associated with Silver Swan and also extended this resource beyond the current boundaries which will result in additional high grade ore tonnes for mining.

Extending the planned life of the Black Swan project remains a key strategy and will result in both financial and practical benefits. Following the successful drilling of the Black Swan Disseminated deposit at depth in May 2019, a program of underground RC drilling from the Gosling decline into the zone between the open pit floor and the gosling deposit (now mined out) was commenced. Although expected ore grades are similar to those mined in the open pit, this drilling program has the potential to provide additional low cost ore to the project which will lead to an extension of mine life.

Although currently on care and maintenance, Lake Johnston and Windarra remain significant to Poseidon presenting both future production and exploration opportunities. Following the discovery of the Abi Rose deposit at Lake Johnston in 2015, a further three diamond drill holes have been completed confirming the significant exploration opportunity of this area. In addition, geochemical surface sampling of newly identified potential nickel targets in the northern and southern areas of the Lake Johnston lease will be undertaken. At Windarra, to enable planning for future development, reverse circulation drilling of the Crazy Diamond deposit just north of Cerberus will follow up an evolving geological target.

A year of change has placed Poseidon in a strong position to take advantage of the current improved nickel price. Black Swan can be returned to production in less than nine months from any decision to do so, and Lake Johnston and Windarra remain ready for future development.

Rob Dennis
Managing Director & CEO

"A year of change has placed Poseidon in a strong position to take advantage of the current improved nickel price."

GEOLOGY UPDATE

Going forward the Company has an exciting and busy year ahead with the recent updated Silver Swan resource and ongoing exploration programs planned for Black Swan, Lake Johnston and Windarra.

Jumbo mounted diamond drill rig which allows exceptional flexibility in an underground environment.

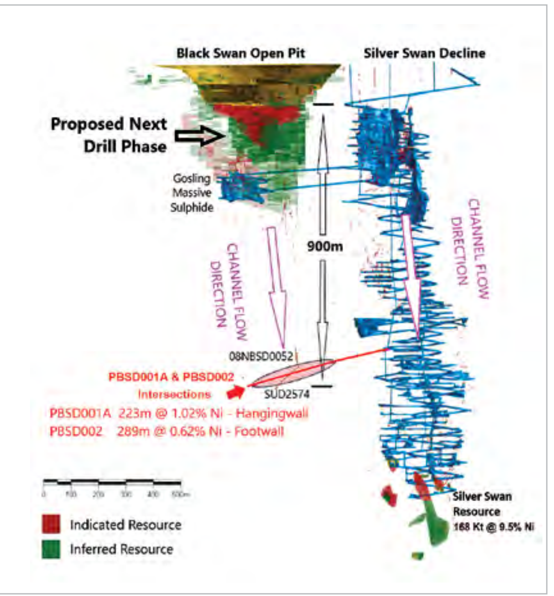


Figure 1 – Deep drilling of the Black Swan Disseminated nickel deposit from the Silver Swan decline. PBSD001A and PBSD002 confirmed the validity of historical holes 08NBSD0052 and SUD2574 which outline the extent of the Black Swan mineralisation at depth.

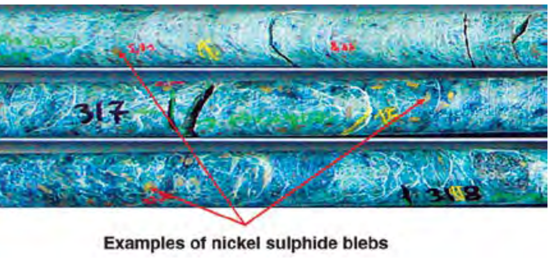


Figure 2 – Core from PBSD001A showing blebby sulphide mineralisation (sulphide blebs up to 20mm in width) within competent ultramafic.

Black Swan / Silver Swan

In support of the focus to restart Black Swan Operations, diamond drilling was carried out both below the Black Swan open pit and into the inferred resource below the Silver Swan decline. The two drilling programs were designed to confirm the potential for additional, deep mineralisation associated with the Black Swan disseminated nickel channel, and to de-risk and extend the current inferred resource at Silver Swan ahead of the planned restart of operations.

A plan was developed and approved to drill 4 diamond drill holes from the Silver Swan magazine chamber into the Black Swan disseminated deposit approximately 1000m below the surface. The aim of this was to develop an improved understanding of this deposit, verify data obtained from historical drilling, demonstrate the potential for a nickel resource at depth below the Black Swan pit and collect fresh drill core for mineralogical and metallurgical test work.

PBSD001A intersected 223.1m @ 1.02%Ni (80m true width) including a higher grade hangingwall zone of 74m @ 1.5%Ni (25m true width).

PBSD002 intersected 289m @ 0.62%Ni including 51m @ 0.92%Ni in the hangingwall zone. True width is not available on the orientation of this hole.

On successful completion of the first two holes shown in Figure 1, it was determined that sufficient information was obtained and hence a decision was made not to drill the remaining two holes. An electromagnet survey of PBSD002 will be completed in the future which may yield a target for further drilling.

Core from PBSD001A shown in Figure 2 shows sulphide blebs up to 20mm wide within the disseminated mineralisation. Blebby nickel mineralisation occurs where sulphides are coagulating together as they settle to the base of komatiite flows. Generally these zones lie between the disseminated mineralisation above and the matrix to semi-massive nickel sulphides down plunge.

This style of mineralisation was not so prevalent in the Open Pit, where mainly disseminated mineralisation was observed and is indicating increased nickel sulphide settlement at depth in the centre of the Black Swan channel.

PBSD002 intersected 289m of cloud to blebby disseminated mineralisation and was targeting mineralisation nearer to the footwall of the Black Swan channel (Figure 3).

Geological analysis of PBSD001A and PBSD002 revealed that the mineralisation intersected at depth consisted of three distinct mineralised horizons which in turn are a direct result of three successive mineralised pulses of lava within the Black Swan flow. These three horizons appear to correlate directly with the three mineralised horizons that were mined within the Black Swan open pit, termed the Footwall, Central or Main and the Hangingwall Zones.

The next logical step to increase mine life is to convert the inferred resource between the pit and the Gosling access drive to indicated status. To this end the Company is undertaking a test program of underground RC drilling from this drive to ascertain the footprint and likely grade of the Black Swan deposit below the pit which would be amenable to underground mining. The Company commenced this drilling in August 2019 and it is ongoing.

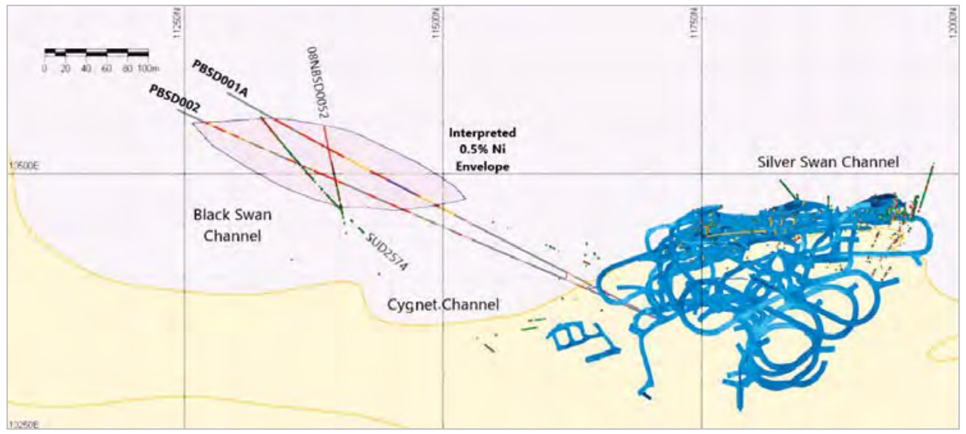


Figure 3 – Plan view of PBSD001A and PBSD002 intersections defining the Black Swan 0.5% mineralised envelope at depth. These holes confirmed the validity of historical holes 08NBSD0052 and SUD2574 which also help to define the extent and shape of mineralisation.

GEOLOGY UPDATE

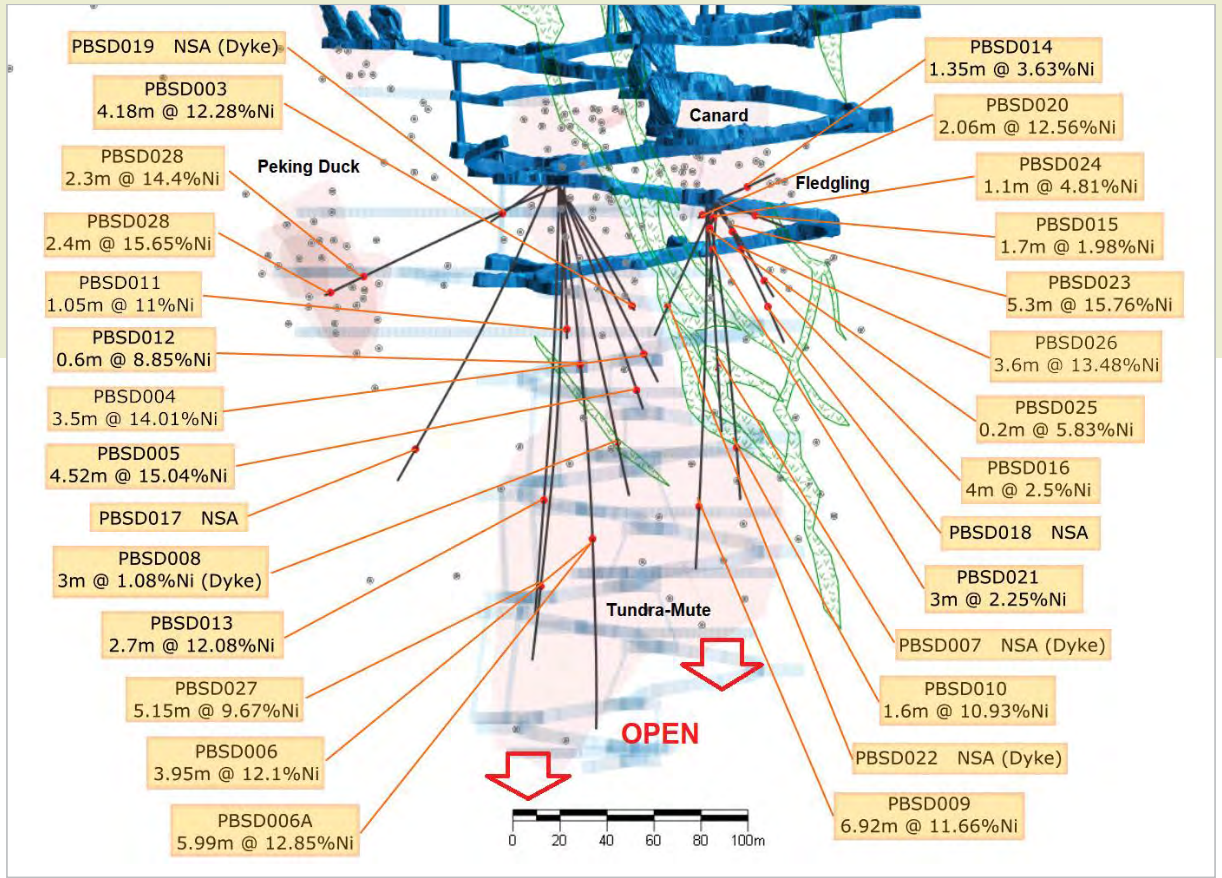


Figure 4 – All intersections of the Silver Swan basal contact massive sulphide position showing the continuity of mineralisation. The vertical channel remains open at depth.

Silver Swan

The initial diamond drill program at Silver Swan was concluded at the end of the financial year with the main aims of the Silver Swan program being met. The first was to de-risk the existing inferred resource and the second to extend the size of the resource through strategically placed step-out holes based on geology and downhole electromagnetic (DHEM) anomalism.

A total of 3,662 metres of diamond drilling was performed at the bottom of the Silver Swan decline between March and June this year. Three holes were cased for further DHEM surveying later in the year to assist in resolving continuity and for future targeting.

Significant intercepts and exploration results are shown above in Figure 4. The majority of intercepts into the previously defined resource were on par or wider than expected.

Geological evidence from core demonstrated that the majority of holes have intersected the main Silver Swan thermal erosion area found beneath the komatiite channel. Drilling also showed that a suite of mafic dykes and pegmatite intrusions were responsible for the remobilisation of massive sulphides away from the intruded portions of the channel. The orientation of the dykes intersecting with the komatiite give a northerly plunge. Thus when the sulphides are remobilised, the lodes also appear to have a northerly plunge.

As a result of the drilling the combined Mineral Resource has increased 24% in tonnes and 5% in nickel grade, with a resultant 30% increase in total nickel metal. Importantly, the more than doubling of the Indicated Resource (up 112% to 10,060 nickel metal tonnes) is expected to positively affect the Silver Swan Restart Reserve and LOM schedule upon which work is now underway. The current Total Silver Swan Resource stands at 168,000t @ 9.5% Ni for a total of 16,030 nickel tonnes. This significant increase in the Mineral Resource is the result of the additional drilling extending and increasing the volume of mineralisation, combined with closing the drill spacing, thus improving the proportion of Indicated Mineral Resource.

A total of 3,662 metres of diamond drilling was performed at the bottom of the Silver Swan decline between March and June this year.

Figure 5 below shows the progressive development of the Silver Swan model from 2009 when Norilsk shut the mine to 2016 when Poseidon acquired the project and completed a review (including finding an additional number of lost holes), through to the conclusions drawn from the current drill program where drillholes revealed new information about the Tundra-Mute Lode. The influence of the dykes clearly seen which correlate well with the DHEM anomalies.

Historical drilling failed to penetrate a basalt dyke that lay between the drill platform and mineralisation, thus information on the komatiite geology behind those locations was not available. From persevering with the difficult drilling through the basalt dyke, we now realise that the main Silver Swan channel still vertically and that the seemingly "separate" Tundra, Mute, Canard and Fledgling Lodes were once joined. It was only the dykes and a lack of drilling that gave the impression that the lodes were separating and that even with the later remobilisation, there is more continuity to the mineralisation than previously modelled. Again, this is shown in Figure 5.

Furthermore, the drilling concluded that there is not at present a repeat of the number, type nor intensity of dykes responsible for remobilisation of sulphides further down the channel, meaning that continuity of the proposed mining area may be greater than first anticipated and that the geotechnical challenges associated with the dykes should be lessened.

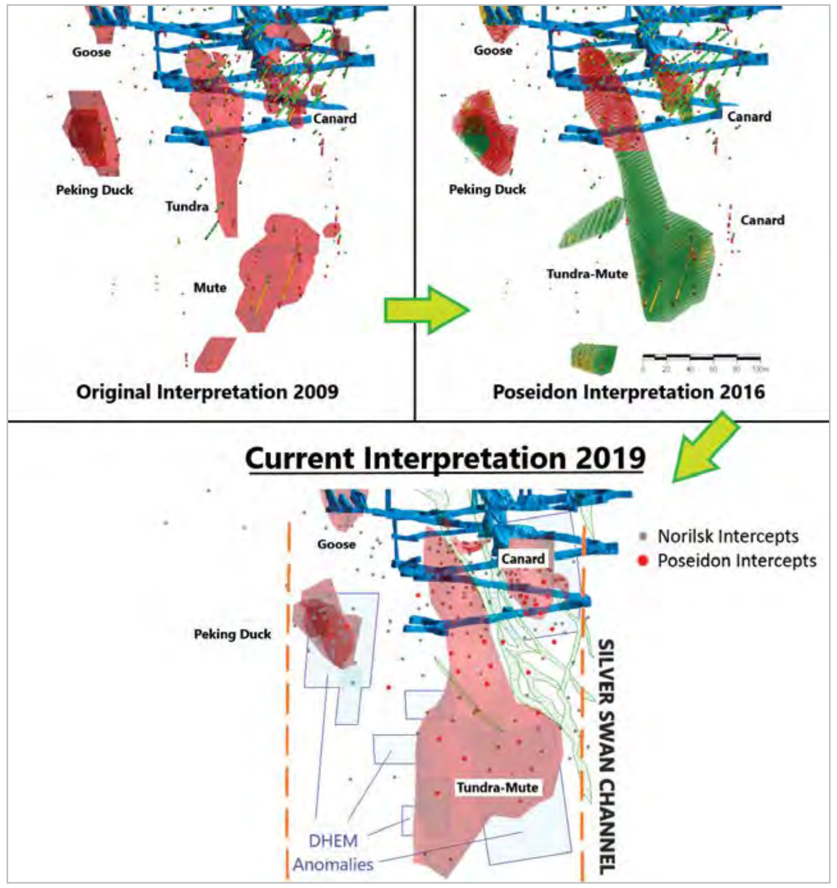


Figure 5 – The progressive development of the Silver Swan resource from mine closure in 2009 until after the completion of the current drill program.

GEOLOGY UPDATE

Figure 6 – (top) PLJD004 Magmatic Breccia and (bottom) PLJD0006 Mineralised Tectonic Breccia which occur in magmatic-hosted nickel-copper deposits intruding into active structural settings with multiple mineralised pulses of magma.

Abi Rose Discovery

At the start of the financial year the Company directed funds to drill an additional three diamond holes into the Abi Rose deposit which was discovered by Poseidon's geological team and confirmed through drilling in 2015. The aim of the latest program was two-fold; firstly to intersect mineralisation beyond the limits of previous historical drilling by Lion Ore and Norilsk Nickel and thus prove the plunge direction and potential continuation of the deposit, and secondly, to gain a detailed geological and geophysical understanding of the variability of mineralisation so as to better plan, predict and interpret the next phase of step-out drilling.

All three recent diamond holes at Abi Rose intersected massive nickel-copper bearing sulphides associated with pyroxenitic to gabbroic intrusives and the assay results were as follows:

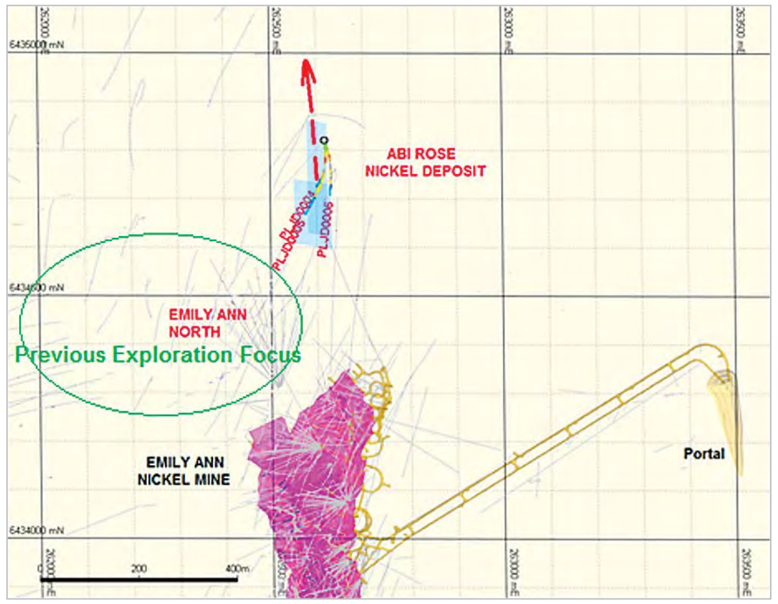
PLJD0004 – 1.54m @ 1.82% Ni & 0.18% Cu from 465.7m
Including 0.47m @ 4.36% Ni & 0.46% Cu
Intrusive and massive intersection totals 2.9m @1.08%Ni

PLJD0005 – 1.54m @ 3.39% Ni & 0.37% Cu from 450m
Including 0.79m @ 5.72% Ni & 0.63% Cu
Intrusive and massive intersection totals 6.58m @1.06%Ni

PLJD0006 – 0.18m @ 7.89% Ni & 0.19% Cu from 465m
Remobilised footwall breccia zone

To date all six holes drilled by Poseidon into the fault off-set Abi Rose mineralisation have intersected high-grade massive nickel-copper sulphides. The variation in intersection widths and geology between the six holes drilled closely resembles the variation seen in underground mapping from the Emily Ann deposit 300m to the South. This variation is to be expected within intrusive nickel-copper deposits and this along with other geological evidence has proven that Poseidon's re-interpretation of the geological model from a traditional komatiite hosted system to that of nickel-copper sulphide intrusive setting is correct.

Figure 7 – Plan view showing the Abi Rose magmatic conduit (chonolith) in relation to the Emily Ann Nickel Mine, Emily Ann North mineralisation and historical drilling. The Abi Rose mineralisation continues north within a 200m gap in the historical drilling. Previous exploration focussed on a structural target thought to lie northwest of the Emily Ann Mine.



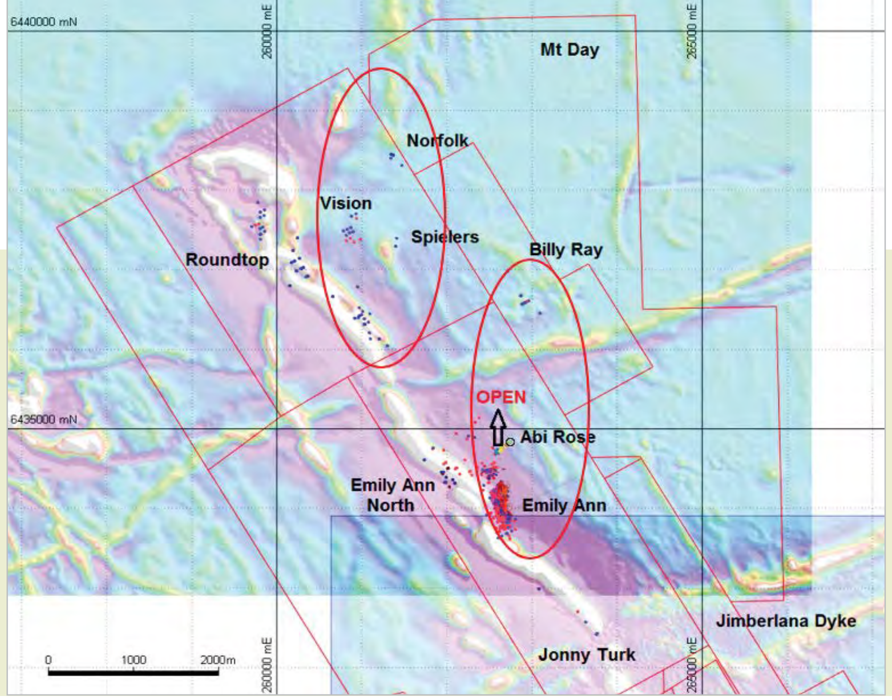


Figure 8 – Regional magnetics showing the sulphidic chert (white magnetic high trending northwest) which dips to the northeast and underlies many regional prospects where >0.5% nickel sulphides in gabbro's or pyroxenites have been intersected (represented by the coloured dots). The down-plunge direction of Abi Rose is shown by the arrow.

The mineralisation style and chemistry is akin to St George's Mt Alexander discovery and IGO's Nova deposit. The implications of this geological model lead exploration efforts off in a different direction to that of previous explorers who utilised a structurally complex variation on the Kambalda-style model (Figure 7).

The implications of this model from the geological evidence gathered to date suggest that the Abi Rose mineralisation represents a conduit through which nickel-copper sulphides have travelled and that the Emily Ann Nickel Deposit is the upper continuation of this conduit. Abi Rose, and in turn Emily Ann, are now interpreted to have been fed from a deeper magmatic source to the north. It is known that the sulphidic chert adjacent to the felsic package hosting Emily Ann and Abi Rose underlies the stratigraphy in this area and could reasonably be the source of the nickel sulphides if assimilated by rising magma pulses.

It is the geological team's view that this could also explain other nickel-sulphide intersections that occur in intrusions within the Roundtop area to the north-west of Abi Rose, at Roundtop itself and the Vision and Spielers prospects, where a similar structural setting has been identified through mapping and 3D modelling (Figure 8).

Going forward the Company has an exciting and busy year ahead with the recent updated Silver Swan resource and exploration programs planned for Black Swan, Lake Johnston and Windarra. With the nickel price set to rise and the imminent restart of the Black Swan operations, Poseidon is poised for a brighter future.

Steve Warriner
Chief Geologist

All three additional diamond holes at Abi Rose drilled this year intersected massive nickel-copper bearing sulphides associated with pyroxenitic to gabbroic intrusives.

"To date all six holes drilled by Poseidon into the fault off-set Abi Rose mineralisation have intersected high-grade massive nickel-copper sulphides."

FINANCIAL STATEMENTS

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 2019 and the auditor's report thereon.

Contents of Directors' report

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 Geoff Brayshaw **Independent Non-Executive Director and Interim Chairman** *Member of:* • Audit & Risk Management Committee • Remuneration, Nomination & Diversity Committee Appointed 1 February 2008 Appointed as Interim Chairman on 1 October 2018	Mr Brayshaw 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. Mr Brayshaw is a Fellow of both the Institute of Chartered Accountants in Australia and the AICD and 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.
Mr Karl Paganin **Non-Executive Director** *Member of:* • Audit & Risk Management Committee *Chairman of:* • Remuneration, Nomination & Diversity Committee Appointed 1 October 2018	Mr Paganin graduated from the University of Western Australia with a Bachelor of Laws and a Bachelor of Arts. Mr Paganin practised with major national law firms and was then appointed as Senior Legal Counsel at the newly formed family company of the Holmes a Court family, Heytesbury Holdings where he spent 11 years. His roles varied from Senior Legal Counsel to Director of Major Projects, a role which involved having conduct of all major transactions within the Group. Subsequent to Heytesbury, he spent 15 years as a senior Investment Banker in Perth. In 2002, he joined Perth based Euroz Securities and established its Corporate Finance department. In 2010, he established and was Managing Director of GMP Australia Pty Ltd an affiliate of a Canadian resource specialist Investment Bank. Mr Paganin specialises in transaction structuring, equity capital markets, mergers and acquisitions and providing strategic management advice to listed public companies. He is currently a non-executive director of ASX Listed Southern Cross Electrical Engineering Limited and Veris Limited.

1. Directors (cont.)

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Ms Felicity Gooding **Non-Executive Director** *Member of:* • Remuneration, Nomination & Diversity Committee *Chairman of:* • Audit & Risk Management Committee Appointed 1 October 2018	Ms Gooding is the Chief Operating Officer and Chief Financial Officer of the Minderoo Group. A Fellow of the Institute of Chartered Accountants, Ms Gooding has more than 15 years' experience specialising in due diligence, mergers and acquisitions, and equity and debt financing across various sectors in Washington DC, Singapore and London. Ms Gooding has held senior positions at PwC, Diageo Plc and Fortescue Metals Group Ltd where she was instrumental in the raising of more than A$5 billion for project expansion financing. Prior to joining Minderoo Ms Gooding was an executive at potash development company, Sirius Minerals Plc.
Mr Robert Dennis **Managing Director and CEO** *Member of:* • Audit & Risk Management Committee • Remuneration, Nomination & Diversity Committee Appointed 24 February 2014 Appointed as Managing Director and CEO on 1 August 2018 Resigned 30 August 2019	Mr Dennis is a mining engineer with over 40 years' experience in the nickel, copper, gold and alumina industries and was Chief Operating Officer (COO) at Independence Group (IGO). In that role, Rob oversaw the development and successful commissioning of IGO's Nova Nickel Copper Project in Fraser Range. Following a seven year tenure with Poseidon as COO, Mr Dennis joined the Poseidon Board in February 2014. Previous experience includes senior roles with Adita Birla Minerals Ltd, Lionore Australia, Great Central Mines and Western Mining Corporation.
Mr Christopher Indermaur **Chairman and Independent Non-Executive Director** *Member of:* • Audit & Risk Management Committee *Chairman of:* • Remuneration, Nomination & Diversity Committee Resigned 1 October 2018	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). He 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 a Director of Austal Ltd (ASB), a Director of Austin Engineering Ltd (ANG) and a Director of Centrex Metals Ltd (CXM).

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Mr David Singleton **Non-Executive Director** *Member of:* • Audit & Risk Management Committee • Remuneration, Nomination & Diversity Committee Resigned 1 October 2018	Mr Singleton is the Chief Executive Officer of Austal, the world's largest aluminium shipbuilder and Australia's biggest defence exporter employing over 5,000 people around the world. Prior to the appointment to Austal, David was the CEO of Poseidon Nickel and Clough Limited both based in Western Australia. Prior to moving to Australia in 2003, David was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems based in London. Mr Singleton spent three 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 has held Directorships with Quickstep Holdings, which is a technology based carbon fibre manufacturer to the Defence and Aerospace industry and also Austal ships, where he is now the CEO and MD, and is also a Director of Austin Engineering Ltd (ANG). Mr Singleton has international business experience in senior executive roles in Europe, USA and Australia and has a degree in Mechanical Engineering from University College London and has an Honorary Doctorate degree from Edith Cowan University.

2. Chief Executive Officer

Mr David Riekie was appointed Interim Chief Executive Officer on 2 September 2019. Mr Riekie has over 30 years of corporate and professional experience through a variety of executive and advisory roles in the industrial and resource sectors of Australia. He is a Member of the Australian Institute of Company Directors and has specialised in capital raising initiatives and development strategies for ASX-listed and unlisted entities.

He has operated in a variety of countries globally and has been directly responsible for successful capital raising, stakeholder engagement, acquisition and divestment programmes.

He has overseen, exploration and resource development, scoping and feasibility studies, production, optimisation and rehabilitation initiatives. He has a special interest in the energy and energy storage sector, primarily through energy storage minerals and commodities with specific knowledge of nickel, uranium oil and gas, graphite, lithium, nickel, copper and cobalt.

Mr Riekie is currently a Non-Executive Director of remote power generation and energy solutions specialist, Zenith Energy Limited and uranium production and exploration company Paladin Energy Limited.

3. Company Secretary (Joint)

Ms Eryn Kestel was appointed Company Secretary on 31 August 2017 and Joint Company Secretary effective from 9 September 2019. Ms Kestel has a Bachelor of Business degree and is a Certified Practising Accountant with over 20 years' experience in dealing with listed companies, ASX, ASIC and corporate transactions.

Mr Brendan Shalders was appointed Joint Company Secretary effective from 9 September 2019. Mr Shalders is a Chartered Accountant having held senior roles in both advisory and corporate settings, he has over 16 years' experience in corporate finance, accounting, risk management and business development, predominately within the mining and mining services industries.

4. 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:

	BOARD MEETINGS*		AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS		REMUNERATION, NOMINATION AND DIVERSITY COMMITTEE MEETINGS	
Director	A	B	A	B	A	B
Mr G Brayshaw	21	21	5	5	2	2
Mr R Dennis	21	21	5	5	2	2
Mr K Paganin	13	13	4	4	1	1
Ms F Gooding	13	13	4	4	1	1
Mr C Indermaur	7	7	1	1	1	1
Mr D Singleton	6	7	-	1	-	1

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

5. 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.

6. Consolidated Results

The consolidated loss for the entity for the year ended 30 June 2019, after income tax is $10,495,000 (2018: $9,654,000).

7. Operating and Financial Review

Overview

Poseidon Nickel Limited is an ASX listed company focussed on developing its nickel assets in Western Australia. The Company has two nickel sulphide concentrators and six independent mines, all located within a 300km radius from Kalgoorlie in the Goldfields region of Western Australia.

During the September 2018 quarter the Company raised $71,180,000 (net of costs) through the placement of shares to sophisticated and professional investors and a fully underwritten renounceable entitlement issue. This capital raising has put the Company in a strong financial position to implement its strategy to restart mining and processing at its Black Swan and Silver Swan operations pending improved market conditions. Subject to the successful restart program, the Company intends to restart its Lake Johnston and Windarra nickel operations utilising cash flow from the Black Swan operations.

Exploration drilling will also continue to augment existing resource inventory and potentially create longevity to the intended operations at Black Swan.

Projects – Black Swan

The Company's Black Swan Mine and processing facilities have continued to be well managed under an extended care and maintenance program. The first stage of the Silver Swan decline refurbishment was completed to enable diamond drilling of the Silver Swan resource to commence. In parallel, inspection and testing of ventilation systems and mine services have de-risked the planned restart of production operations. Work to repair a section of the mine's second means of egress has also been successfully completed paving the way for its overall refurbishment.

The Company successfully completed a diamond drilling program targeting disseminated mineralisation within the Black Swan deposit, 900m below the base of the open pit. The Black Swan disseminated deposit is separate but parallel to the Silver Swan massive sulphide deposit. This 1,004m drilling program's objective was to commence investigation of the opportunity to extend the currently known resources and reserves below the pit to depth, due to its very close proximity to the existing Silver Swan decline and ventilation / egress infrastructure.

Stage two of the drilling program has resulted in a revision of the Silver Swan inferred resource and an Underground RC drilling program has also commenced (refer to ASX announcement 5 August 2019).

Projects – Lake Johnston

Lake Johnston Operations returned to a continuing care and maintenance status, following the successful drilling campaign at the high grade Abi Rose nickel discovery in late September 2018. The operation is continuously manned and maintained to ensure the former processing operations remain in good standing. A geochemical exploration campaign to the south of Maggie Hays is planned for the new financial year.

Projects – Windarra

The Mt Windarra underground mine and its associated infrastructure remains on care and maintenance. A limited exploration RC drilling campaign is planned for the next financial year to test an area north of the Cerberus deposit to assist with future planning of exploration in the area.

The process of the termination of the Poseidon Nickel Agreement Act is progressing and expected to provide clarity to the Company's revised obligations and opportunities. The Department of Jobs, Tourism, Science and Innovation is still in the process of finalising the termination documents for consideration.

7. Operating and Financial Review (cont.)

Nickel market

The key drivers of the nickel market remain:

- Sustained growth in Stainless steel demand
- New demand from battery technology in the transport and renewable energy industries

Generally, the market forecasters predict the nickel market balance will remain in deficit. While this deficit continues, it is unclear as to timing when the market will see a sustained positive effect on the nickel metal price. On a longer-term basis (over 2 years), declining stocks have contributed to longer term upward price trends.

Financial position

For the year ended 30 June 2019 the Group recorded a loss of $10,495,000 (2018: $9,654,000) that includes the movement in the valuation and interest of the convertible note liability, derivative liability, depreciation, impairment and share-based payment expense which are all non-cash items. If these items are excluded, the underlying loss for the Group for the year is $8,923,000 (2018: $6,573,000). The working capital surplus as at 30 June 2019 of $55,588,000 (2018: deficit $2,805,000) includes a provision for environmental rehabilitation of $3,500,000 that is cash backed (non-current asset). The primary liabilities of the Group consist of $24,250,000 (2018: $23,832,000) of convertible note liability maturing September 2020, together with further site rehabilitation provisions of $46,418,000 (2018: $42,766,000). The Directors do not anticipate the Group being required to remediate its sites in the foreseeable future. These liabilities are classified as non-current and included within total net assets of $74,110,000 (2018: $13,289,000).

The Group had a net cash outflow from operating and investing activities of $46,804,000 (2018: $4,810,000), reflecting investments in term deposits with a maturity of more than three months from the date of acquisition and the ongoing expenditure during the period on exploration and evaluation and care and maintenance activities across the three operations of Windarra, Lake Johnston and Black Swan. As at 30 June 2019, the Group had cash on hand of $25,133,000 and investments in term deposits of $35,012,000.

8. Remuneration Report – Audited

8.1 Principles of compensation

The Company recognises that it operates in a global environment and to prosper in such an environment, it must attract, motivate and retain personnel of the highest calibre. The objective of the Company's executive remuneration framework is to ensure that:

- Total remuneration is competitive in relation to the broader market and is linked to role, experience and performance;
- Incentive schemes are aligned with the interests of the Company and acceptable to its shareholders;
- Attract and retain talented and high calibre Key Management Personnel ("KMP") and employees to the Company;
- Remuneration systems are transparent, simple, clear and have measurable targets; and
- Compatibility with the Company's phase of development, longer terms aims, capital management strategies and structures.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. Remuneration packages include a mix of fixed and 'at risk' remuneration and is comprised of:

- Total Fixed Remuneration ("TFR") inclusive of base salary, salary sacrifice and compulsory superannuation contributions;
- Short Term Incentive ("STI") measures; and
- Long Term Incentive ("LTI") measures.

Total Fixed Remuneration

The TFR component is reviewed annually by the Remuneration, Nomination and Diversity Committee through a process that considers both individual and overall performance of the Company. In addition, remuneration consultants can be engaged to provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the wider employment market. A senior executive's remuneration is also reviewed on promotion.

No remuneration consultants have been used in the current year and no remuneration increases have been awarded to directors and executives for FY2019 or FY2020.

Short Term Incentive and Long Term Incentive Plans

The Company has suspended the STI and LTI Plans effective from 1 July 2017 and no performance rights were granted for FY2018 or FY2019 pursuant to these plans.

All LTI performance rights granted to executives for FY2016 and FY2017 were forfeited at 30 June 2018 and 30 June 2019, respectively due to vesting conditions not being satisfied by the due date.

Short Term Incentive

The STI plan was approved by shareholders at the 2015 Annual General Meeting. The objective of the STI is to incentivise and reward eligible participants, executives and employees that are invited to participate, for achievement of short term Company goals. The STI plan provides Eligible participants with an opportunity to earn a bonus, payable in performance rights, on achievement of individual and Company key performance indicators ("KPIs"). Challenging KPIs are set to ensure payments are only made to high performing employees.

The Remuneration, Nomination and Diversity Committee is responsible for determining the KPIs which span across key focus areas of the business and are agreed annually for the year ahead with the Board. The KPIs include a gateway condition in relation to annual share price movement, personal performance, safety and Lost Time Injury.

Frequency Rate ("LTIFR") with minimum standard requirements to be met before performance criteria for the respective Company KPIs may be assessed and the number of performance rights that will vest be determined.

It is the Company's policy to cap STI payments at a targeted STI level. The percentage is applied against the relevant eligible participant's TFR and the number of performance rights to be granted is calculated using the 30 day Volume Weighted Average Price ("VWAP") as at 30 June, immediately preceding the grant date.

Long Term Incentive

The LTI plan was approved by shareholders at the 2015 Annual General Meeting and is intended to incentivise and reward eligible participants in a way in which aligns their interests with those of shareholders. All grants are measured over a 3 year period with 75% of the performance rights granted being measured against a relative Total Shareholder Return ("TSR") and 25% of the performance rights granted measured against an internal strategic target of growth in resource/reserve, once the Company has been in production for a minimum of 18 months. No vesting occurs until the end of the third year to ensure executives are focussed on the generation of long term sustainable value for the Company.

Under the remuneration structure, executives will receive a grant of performance rights each year, such that the LTI now forms a key component of executive's total annual remuneration. It is the Company's policy to cap LTI payments at a targeted LTI level. The percentage is applied against the relevant executive's TFR and the number of performance rights to be granted is calculated using the 30 day Volume Weighted Average Price ("VWAP") as at 30 June immediately preceding the grant date.

8. Remuneration Report – Audited (cont.)

8.1 Principles of compensation (cont.)

Performance conditions

Careful consideration is given to ensure that the selected performance conditions will only reward executives where shareholder value is generated, as determined via the change in the Company's share price.

Total shareholder return

Reflecting on market practice, the Board has decided that the most appropriate measure to track share price performance is via a relative TSR measure. TSR measures the return received by shareholders from holding shares in the Company over a particular period and is calculated by taking into account the growth in a company's share price over the period as well as any dividends received during the period.

Internal strategic target

Once the Company has been in production for a minimum of 18 months, the quantum increase in reserve/resource will determine the number of performances rights that were granted under this hurdle, to vest. This is on the basis that the Company must replace depletion carried out by mining and then increase total reserves before vesting will begin to occur.

		RESERVES AND RESOURCES GROWTH PERFORMANCE (only assessable once the Company has been in production for a minimum of 18 months)
Internal strategic target	**LTI KPI**	**% of performance rights vesting**
Reserves and resources growth performance	Reserves and resources depleted	No performance rights vesting
	Reserves and resources maintained	50% vesting of the performance rights
	Reserves grown by up to 30% and resources at least maintained	Between 50% and 100% vesting (pro-rata on a straight line basis) of the performance rights
	Reserves grown by 30% or more and resources at least maintained	100% of performance rights vesting

The table in section 7.2 of the Directors' report provides details of the number and value of performance rights granted to executives. No performance rights have been granted to directors or executives in relation to the 2019 year or since the end of the financial year.

The Company has an Employee Share Option Plan ("ESOP") although no options have been granted to directors or executives since 2010.

Share trading policy

The trading of shares issued to eligible participants under any of the Company's employee equity plans is subject to and conditional on compliance with the Company's share trading policy detailed in the Corporate Governance Statement. Executives are prohibited from entering into any hedging arrangements over unvested performance rights under the STI or LTI plan and the policy is strictly enforced.

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	2019	2018	2017	2016	2015
(Loss) / profit for the year	(10,495)	(9,654)	25	(47,682)	(21,471)
Dividends paid	-	-	-	-	-
Change in share price	$(0.002)	$0.02	$(0.04)	$(0.06)	$0.04
% Change in share price	(0.05)%	94.7%	(65.5)%	(52.2)%	43.8%

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 or care and maintenance phases, the annual profit performance is not a relevant measure of the Company's performance and hence remuneration levels for individual KMPs are not directly linked to the annual profit or loss result.

Service contracts

It is the Company's policy that service contracts for KMPs are open common law employment contracts, 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 KMPs are entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave together with any superannuation benefits. Each KMP accrues 4 weeks of annual leave entitlements per year and 13 weeks of long service leave entitlements for every 10 years of service.

The service contract outlines the components of remuneration paid to the KMP but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year by the Remuneration, Nomination and Diversity Committee and 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 remuneration policy. There is no guaranteed base pay increases included in any executives' contracts.

Mr R Dennis was appointed as Chief Executive Officer ("CEO") on 1 August 2018 and resigned 30 August 2019. The material terms of his employment contract include a base remuneration of $485,000, a bonus available of 0 to 50% of base salary and a notice period of 3 months. Prior to his appointment Mr C Indermaur, the non-executive chairman, took on some of the duties of the CEO on a part time basis with the support of the COO and received an additional fee of $57,799 (2018: $229,311) which is based pro-rata on 40% of the CEO's salary and payable in performance rights. Mr C Indermaur resigned on 1 October 2018.

8. Remuneration Report – Audited (cont.)

8.1 Principles of compensation (cont.)

Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 15 July 2019 General Meeting, is not to exceed $650,000 per annum and has been determined after reviewing similar companies listed on the ASX and considered to be in line with corporate remuneration of similar companies.

The non-executive directors receive an annual base fee of $53,888 (except for the chairman who receives a base fee of $74,970) to cover the main Board activities. Non-executive directors receive an additional fee of $5,100 for each additional committee of which they are a member. Non-executive director members who chair a committee receive a further additional fee of $10,000 for each committee chaired.

Under the Director Performance Rights Plan ("DPRP"), approved by shareholders at the AGM on 12 October 2016, each non-executive director elected to receive all director fees prior to 30 June 2018 as performance rights in lieu of cash in order to retain the cash reserves of the Company. The DPRP has replaced the Director Share Plan. The performance right vests immediately upon grant and can be exercised at any time within a 7 year timeframe. The value of the performance rights awarded to non-executive directors has been disclosed as a performance right based payment in column B in the directors' and executive officers' remuneration table in section 7.2 of the Directors' report.

Executives

A summary of the key contractual provisions for each executive is set out below:

Name and job title	Base salary	Superannuation	Contract duration	Notice period	Termination provision
Mr N Hutchison[2], GM Geology	$294,096	9.5%	No fixed term	2 months	2 month termination payment
Mr M Rodriguez[2], COO	$399,151	9.5%	No fixed term	1 month	6 month termination payment
B Shalders[1], CFO / Joint Company Secretary	$250,000	9.5%	No fixed term	3 months	3 month termination payment

1. Appointment – Mr B Shalders 9 September 2019.
2. Resignations – Mr N Hutchison 21 September 2018, Mr M Rodriguez 1 February 2019.

All other senior management contracts are as per the Company's standard terms and conditions.

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

		SHORT TERM	POST EMPLOYMENT	SHARE-BASED PAYMENTS						
In AUD		Salary and fees $ (A)	Super-annuation benefits $	Options $	Shares $	Performance rights $ (B)	Other long term benefits (C)	Term-ination benefits $	Total $	Proportion of remuneration performance related [2]
Directors Non-executive directors										
Mr G Brayshaw	2019	75,251	7,149	-	-	-	-	-	82,400	0%
	2018	-	-	-	-	74,088	-	-	74,088	0%
Mr R Dennis[4]	2019	408,852	23,380	-	-	-	35,053	-	467,285	0%
	2018	-	-	-	-	64,088	-	-	64,088	0%
Mr K Paganin[4]	2019	55,566	-	-	-	-	-	-	55,566	0%
	2018	-	-	-	-	-	-	-	-	0%
Ms F Gooding[4]	2019	55,566	-	-	-	-	-	-	55,566	0%
	2018	-	-	-	-	-	-	-	-	0%
Mr C Indermaur (Chairman)[1,5]	2019	74,513	7,079	-	-	-	-	-	81,592	0%
	2018	-	-	-	-	324,481	-	-	324,481	0%
Mr D Singleton[5]	2019	14,632	1,390	-	-	-	-	-	16,022	0%
	2018	-	-	-	-	64,088	-	-	64,088	0%
Executives[3]										
Mr N Hutchison, GM Geology[5]	2019	37,969	4,144	-	-	-	681	-	42,794	0%
	2018	154,325	18,626	-	-	31,531	3,375	-	207,857	0%
Mr M Rodriguez, COO[5]	2019	202,065	14,729	-	-	-	14,887	224,407	456,088	0%
	2018	367,693	25,000	-	-	58,528	50,765	-	501,986	0%
Mr G Jones, CFO[5]	2019	-	-	-	-	-	-	-	-	0%
	2018	39,303	5,064	-	-	4,225	2,777	-	51,369	0%
Total compensation: key management personnel	2019	924,414	57,871	-	-	-	50,621	224,407	1,257,313	
	2018	561,321	48,690	-	-	621,029	56,917	-	1,287,957	

1. Mr C Indermaur undertook some of the duties of the CEO on a part time basis and for 2019 has received an additional fee of $57,799 (2018: $229,311 granted as Performance Rights).
2. For Directors, performance based remuneration excludes performance rights. These rights have been paid to Directors in lieu of cash for directors fees and are not performance based.
3. In accordance with accounting standards an expense has been recognised in relation to LTI's, however due to not meeting performance hurdles, all of these rights have been forfeited.
4. Appointments – Mr R Dennis appointed 24 February 2014 and as Managing Director and CEO 1 August 2018, Mr K Paganin and Ms F Gooding 1 October 2018.
5. Resignations – Mr C Indermaur and Mr D Singleton 1 October 2018, Mr N Hutchison 21 September 2018, Mr M Rodriguez 1 February 2019, Mr G Jones 31 August 2017.

8. Remuneration Report – Audited (cont.)

8.2 Directors' and executive officers' remuneration (Company and Consolidated) (cont.)

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

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

(B) The performance rights granted to non-executive directors represent the cash value of director fees issued to non-executive directors in relation to the Director Performance Rights Plan. For Mr C Indermaur, this includes the Performance Rights issued for additional CEO duties. The performance rights are granted each quarter and vest immediately on grant. Refer to the Director Performance Rights Plan in section 7.1 of the Directors' report.

All LTI performance rights granted to executives for FY2016 and FY2017 were forfeited at 30 June 2018 and 30 June 2019, respectively due to the vesting conditions not being satisfied by the due date. The expense continues to be recognised when market conditions are not satisfied and is reversed when non-market conditions are not satisfied. The executives received no financial benefit from the LTI in FY2018 or FY2019.

No performance rights have been granted to directors or executives in relation to the 2019 year or since the end of the financial year.

(C) Other long term benefits includes leave entitlements paid and the movement in annual and long service leave provisions.

Details of performance related remuneration

STI

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.

LTI

The performance rights granted for the LTI have been valued using a hybrid employee share option model due to the TSR component. The model uses a correlated simulation that simultaneously calculates the TSR of the Company and each constituent of the Peer Group on a risk neutral basis as at the vesting date with regards to the performance period. The performance of the TSR of the Company is ranked against the TSR of each constituent of the Peer Group as at the vesting date and a vesting percentage is calculated form the vesting schedule.

An evaluation of the performance of executives during FY2019 and achievement against the KPIs set for the LTI award from 1 July 2017 resulted in the forfeiture of 100% of the FY2017 LTI performance rights granted:

			NO. OF PERFORMANCE RIGHTS		
Executives	TFR ($)	Fair value on grant date	Granted	Vested	Forfeited
Mr N Hutchison	69,297	$0.053	1,313,681	-	1,313,681
Mr M Rodriguez	125,400	$0.053	2,377,253	-	2,377,253
Mr G Jones *	55,564	$0.053	1,053,351	-	1,053,351

* LTI Performance Rights granted to all executives above for FY2017 have been forfeited on their resignations, Mr N Hutchison 21 September 2018, Mr M Rodriguez 1 February 2019, Mr G Jones 31 August 2017.

An evaluation of the performance of executives during FY2018 and achievement against the KPIs set for the LTI award from 1 July 2016 resulted in the forfeiture of 100% of the FY2016 LTI performance rights granted:

			NO. OF PERFORMANCE RIGHTS		
Executives	TFR ($)	Fair value on grant date	Granted	Vested	Forfeited
Mr N Hutchison	16,444	$0.040	411,095	-	411,095
Mr M Rodriguez	33,477	$0.040	836,914	-	836,914
Mr G Jones *	13,185	$0.040	329,629	-	329,629

* LTI Performance Rights granted to Mr G Jones for FY2016 have been forfeited on his resignation, 31 August 2017.

8.3 Equity instruments

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.

Shares

No shares were granted to directors during the reporting period and no shares have been granted 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

No options over ordinary shares in Poseidon Nickel Limited are held, directly, indirectly or beneficially, by key management person, including their related parties.

8. Remuneration Report – Audited (cont.)

8.3 Equity instruments (cont.)

Options and rights over equity instruments (cont.)

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 2018	Share entitlement issue	Performance right conversion	Net change - other	Held at 30 June 2019
Directors					
Mr G Brayshaw	3,984,671	4,383,138	4,881,546	-	13,249,355
Mr R Dennis	3,714,245	4,085,669	4,216,012	-	12,015,926
Mr K Paganin	-	-	-	-	-
Ms F Gooding	-	-	-	-	-
Mr C Indermaur	5,143,455	26,616,300	19,053,182	(50,812,937)	-
Mr D Singleton	8,970,000	5,637,000	3,706,041	(18,313,041)	-
Executives					
Mr N Hutchison	1,811,270	-	-	(1,811,270)	-
Mr M Rodriguez	-	-	-	-	-

* Net change other includes shares held on the date of their resignation, Mr C Indermaur and Mr D Singleton 1 October 2018, Mr N Hutchison 21 September 2018, Mr M Rodriguez 1 February 2019.

Performance rights

The movement during the reporting period in the number of performance rights 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 2018	Granted	Forfeited	Exercised	Held at 30 June 2019	Vested during the year	Vested and exercisable at 30 June 2019
Directors							
Mr G Brayshaw	4,881,546	-	-	4,881,546	-	-	-
Mr R Dennis	4,216,012	-	-	4,216,012	-	-	-
Mr K Paganin	-	-	-	-	-	-	-
Ms F Gooding	-	-	-	-	-	-	-
Mr C Indermaur	19,053,182	-	-	19,053,182	-	-	-
Mr D Singleton	3,706,041	-	-	3,706,041	-	-	-
Executives *							
Mr N Hutchison	1,313,681	-	(1,313,681)	-	-	-	-
Mr M Rodriguez	2,377,261	-	(2,377,261)	-	-	-	-

End of Remuneration Report – Audited

9. Corporate Governance Statement

The Company's 2019 Corporate Governance Statement has been released as a separate document and is also located on our website at http://www.poseidon-nickel.com.au/investors-media/corporate-governance/.

10. Dividends

The Directors recommend that no dividend be declared or paid.

11. Events Subsequent to Reporting Date

On 11 July 2019, the Company announced the appointment of Mr Brendan Shalders as Chief Financial Officer and Company Secretary with effect from 9 September 2019.

On 15 July 2019, the Company announced that all three Resolutions set out in the Proxy Statement dated 17 June 2019 and considered at the General meeting of Shareholders held on 15 July 2019 were passed and provided the replacement Constitution approved at the meeting.

On 2 September 2019, the Company announced the appointment of Mr David Riekie as interim Chief Executive Officer, following the retirement of Mr Rob Dennis and pending an appointment of a permanent Managing Director and Chief Executive Officer.

On 9 September 2019, the Company announced the appointment of Mr Brendon Shalders as Joint Company Secretary. Ms Eryn Kestel also continues as Joint Company Secretary.

12. 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	Performance rights over ordinary shares
Mr G Brayshaw	13,249,355	-
Mr K Paganin	-	-
Ms F Gooding	-	-
	13,249,355	-

13. 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 there were no unissued ordinary shares of the Company under option.

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.

14. Indemnification and Insurance of Officers and Auditors

Insurance premiums

The Company has agreed to indemnify the following current directors of the Company, Mr G Brayshaw, Mr K Paganin and Ms F Gooding 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.

15. Non-audit Services

During the year KPMG, the Company's auditor, has not performed any services outside their statutory duties. The fee paid for the audit and review of financial reports is $63,000 (2018: $72,000).

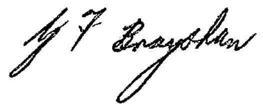
16. Lead Auditor's Independence Declaration

The Lead auditor's independence declaration is set out on page 79 and forms part of the directors' report for financial year ended 30 June 2019.

17. Rounding Off

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 1 April 2016 and in accordance with that instrument, 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
9 September 2019

Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

In thousands of AUD	Note	2019	2018
Assets			
Cash and cash equivalents	4.1a	25,133	2,048
Trade and other receivables	4.2	1,312	279
Other investments – term deposits		35,012	-
Total current assets		61,457	2,327
Property, plant and equipment	3.2	24,744	24,922
Exploration and evaluation expenditure	3.1	60,946	54,270
Other	3.3	3,500	3,500
Total non-current assets		89,190	82,692
Total assets		150,647	85,019
Liabilities			
Trade and other payables	4.3	2,254	1,442
Loans and borrowings		-	42
Employee benefits		115	148
Provisions	3.4	3,500	3,500
Total current liabilities		5,869	5,132
Loans and borrowings	5.2	23,142	20,944
Convertible note derivative	5.2	1,108	2,888
Provisions	3.4	46,418	42,766
Total non-current liabilities		70,668	66,598
Total liabilities		76,537	71,730
Net assets		74,110	13,289
Equity			
Share capital	5.1	228,796	156,337
Reserves		2	1,173
Accumulated losses		(154,688)	(144,221)
Total equity attributable to equity holders of the Company		74,110	13,289

The notes on pages 38 to 71 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 2019

In thousands of AUD	Note	2019	2018
Other income	2.2	366	821
Depreciation expense		(43)	(48)
Personnel expenses	2.3	(1,221)	(227)
Exploration and evaluation costs expensed		(6,245)	(3,687)
Consultancy and advisor fees		(2,210)	(809)
Share-based payment expense	6.1	126	(645)
Other expenses		(808)	(675)
Results from operating activities		(10,035)	(5,270)
Finance income		3,136	18
Finance costs		(3,596)	(4,402)
Net finance income / (costs)	2.4	(460)	(4,384)
Loss before income tax		(10,495)	(9,654)
Income tax benefit	2.5	-	-
Total comprehensive loss for the period		(10,495)	(9,654)
Earnings per share			
Basic and diluted loss per share (cents/share)	2.6	(0.45)	(0.92)

The notes on pages 38 to 71 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

In thousands of AUD	Share capital	Share-based payment reserve	Accumulated losses	Total equity
Balance at 1 July 2017	**149,948**	**757**	**(134,662)**	**16,043**
Loss for the year	-	-	(9,654)	(9,654)
Other comprehensive income				
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(9,654)	(9,654)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of share capital (net of costs)	6,389	-	-	6,389
Issue of performance rights	-	511	-	511
Transfer to accumulated losses upon lapse of options and forfeiture of performance rights	-	(95)	95	-
Total contributions by and distributions to owners	6,389	416	95	6,900
Balance at 30 June 2018	156,337	1,173	(144,221)	13,289
Loss for the year	-	-	(10,495)	(10,495)
Other comprehensive income				
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(10,495)	(10,495)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of share capital (net of costs)	71,180	-	-	71,180
Issue of performance rights	-	279	-	279
Transfer to accumulated losses upon forfeiture of performance rights	-	(171)	171	-
Reversal of prior year performance rights	-	-	(143)	(143)
Performance rights exercised	1,279	(1,279)	-	-
Total contributions by and distributions to owners	72,459	(1,171)	-	71,550
Balance at 30 June 2019	228,796	2	(154,688)	74,110

The condensed notes on pages 38 to 71 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

In thousands of AUD	Note	2019	2018
Cash flows from operating activities			
Sundry receipts		147	822
Payments to suppliers and employees		(10,189)	(4,603)
Cash used in operations		(10,042)	(3,781)
Interest received		624	18
Net cash used in operating activities	4.1b	(9,418)	(3,763)
Cash flows from investing activities			
Payments for property, plant and equipment		(220)	(32)
Proceeds from sale of property, plant and equipment		36	33
Payments for exploration and evaluation expenditure		(2,190)	(1,048)
Payments for other investments – term deposits		(35,012)	-
Net cash used in investing activities		(37,386)	(1,047)
Cash flows from financing activities			
Proceeds from the issue of shares and options (net of costs)		70,915	5,364
Proceeds from borrowings		-	139
Repayment of borrowings		(42)	(145)
Interest paid		(984)	(120)
Net cash received from financing activities		69,889	5,238
Net increase in cash and cash equivalents		23,085	428
Cash and cash equivalents at 1 July		2,048	1,620
Cash and cash equivalents at 30 June	4.1a	25,133	2,048

The notes on pages 38 to 71 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 2019 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. 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 Unit 8 Churchill Court, 331-335 Hay Street, Subiaco WA 6008. The Group is primarily involved in exploration and evaluation of projects relating to nickel and other minerals.

The consolidated financial statements comprising of the Company and its subsidiaries (collectively the 'Group') have been authorised for issue by the Board of Directors on 9 September 2019. 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 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 Corporations (Rounding in Financial/Directors Report) Instrument 2016/191;
- 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 2018. Refer to note 6.9 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 6.9 for further details.

1.2 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.

1.3 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.

1.4 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.

1.5 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.

Section 1 – Basis of Preparation (cont.)

1.5 Impairment (cont.)

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.

1.6 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:

- Exploration and evaluation assets (note 3.1);
- Site restoration provision (note 3.4);
- Convertible note liability and derivative (note 5.2); and
- Share-based payments (note 6.1).

Section 2 – Results for the Year

This section focusses 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 and other mineral 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	**2019**	**2018**
For the year ended 30 June		
Reportable segment other income	351	793
Reportable segment exploration costs expensed	(6,245)	(3,687)
Reportable segment loss before income tax	(5,894)	(2,894)
Reportable segment assets	88,815	82,378
Reportable segment liabilities	51,386	46,812
Capital expenditure	3,244	1,181

Reconciliations of reportable segment loss and assets

Loss		
Total loss for reportable segments	(5,894)	(2,894)
Unallocated amounts: other corporate expenses	(4,141)	(2,376)
Net finance costs	(460)	(4,384)
Loss before income tax	(10,495)	(9,654)

Assets		
Total assets for reportable segments	88,815	82,378
Other assets	61,832	2,641
	150,647	85,019

Liabilities		
Total liabilities for reportable segments	51,386	46,812
Other liabilities	25,151	24,918
	76,537	71,730

There have been no changes to the basis of segmentation or the measurement basis for the segment loss since 30 June 2018.

2.2 Other income

The table below sets out the other income received during the year.

In thousands of AUD	**2019**	**2018**
Research and development proceeds	181	680
Sundry income	185	141
	366	821

2.3 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	**2019**	**2018**
Directors fees*	280	-
Wages and salaries	541	153
Superannuation expense	126	100
Termination benefits	224	-
Other associated personnel expenses	85	44
Decrease in liability for annual leave	(19)	(43)
Decrease in liability for long service leave	(16)	(27)
	1,221	227

* In 2018 performance rights of $527,000 were granted in lieu of cash for Directors fees.

Section 2 – Results for the Year (cont.)

2.4 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	2019	2018
Interest income on bank deposits		1,197	18
Change in fair value of convertible note derivative	5.2	1,939	-
Finance income		3,136	18
Interest expense – convertible note	5.2	(2,283)	(2,015)
Interest expense – loan		(1)	(6)
Net foreign exchange loss	5.2	(1,312)	(1,014)
Change in fair value of convertible note derivative	5.2	-	(1,367)
Finance costs		(3,596)	(4,402)
Net finance (cost)		(460)	(4,384)

2.5 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	2019	2018
Current tax expense		
Current year	-	-
Adjustments for prior periods	233	(469)
	233	(469)
Deferred tax expense		
Origination and reversal of temporary differences	233	469
	-	-
Total tax benefit	-	-

Section 2 – Results for the Year (cont.)

2.5 Income tax expenses (cont.)

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

In thousands of AUD	2019	2018
Loss for the year	(10,495)	(9,654)
Total tax expense	-	-
Loss excluding tax	(10,495)	(9,654)
Income tax using the Company's domestic tax rate of 30% (2018: 30%)	(3,148)	(2,896)
Share-based payments	32	194
Other non-deductible expenses	-	1
Over provided in prior periods	233	(469)
	(2,883)	(3,170)
Change in deductible temporary differences	2,883	3,170
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	2019	2018
Deferred tax liabilities		
Exploration expenditure	(7,019)	(5,838)
Convertible note derivative	(1,150)	(616)
Other items	(179)	(5)
Deferred tax assets		
Carry forward tax losses recognised	6,127	5,759
Loans and borrowings	1,014	354
Other items	1,207	346
Net deferred tax asset (liability)	-	-

d. Unrecognised deferred tax assets and liabilities

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

In thousands of AUD	2019	2018
Tax losses	30,585	25,960
	30,585	25,960

At 30 June 2019, the Company has carry-forward tax losses of $36,712,000 at 30% (30 June 2018: $31,719,000) of which $6,127,000 (30 June 2018: $5,759,000) has been recognised.

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.

2.6 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 2019 was based on the loss attributable to ordinary shareholders of $10,495,000 (2018: $9,654,000) and a weighted average number of ordinary shares outstanding of 2,317,505,000 (2018: 1,051,153,000).

The calculation of diluted EPS at 30 June 2019 was based on the loss attributable to ordinary shareholders of $10,495,000 (2018: $9,654,000) and a weighted average number of ordinary shares outstanding of 2,317,505,000 (2018: 1,051,153,000). Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

Basic earnings (loss) per share

In thousands of AUD	2019	2018
Loss attributable to ordinary shareholders	(10,495)	(9,654)
Issued ordinary shares at 1 July	2,642,702	856,560
Effect of shares issued	(325,197)	194,593
Weighted average number of ordinary shares at 30 June	2,317,505	1,051,153
Basic and diluted* loss per share (cents)	(0.45)	(0.92)

* Potential ordinary shares of the Company consist of 46,354 (2018: 30,006,083) dilutive performance rights options issued. Due to rounding there is no variance between EPS and diluted EPS. In accordance with AASB 133 'Earnings per Share' options are excluded from the calculation of diluted earnings (loss) per share due to their anti-dilutive effect as the Group was in a loss making position.

Section 3 – Assets and Liabilities Supporting Exploration and Evaluation

This section focusses 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

At 30 June 2019 and 30 June 2018, the Company has concluded that no impairment indicators existed. 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

Exploration and evaluation assets are tested for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability is unlikely, or
- facts and circumstances suggest the carrying value exceeds the recoverable amount. The application of this policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established.

Such triggering events are defined in AASB 6 *Exploration for and Evaluation of Mineral Resources* in respect of exploration and evaluation assets.

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 1.5.

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	2019	2018
Costs carried forward in respect of areas of interest in the following phase:		
Exploration and evaluation phase	60,946	54,270
Reconciliations: exploration and evaluation phase		
Carrying amount at beginning of year	54,270	54,056
Additions	3,024	1,149
Movements in provisions	3,652	(935)
	60,946	54,270

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 $6,245,000 (2018: $3,687,000) 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.

Impairment

Non-current assets are tested for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. The Company performs impairment testing in accordance with note 1.5.

In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total
Cost					
Balance at 1 July 2017	1,006	682	26,636	293	28,617
Additions	-	-	1	31	32
Disposals	-	-	(105)	(14)	(119)
Balance at 30 June 2018	1,006	682	26,532	310	28,530
Balance at 1 July 2018	1,006	682	26,532	310	28,530
Additions	-	16	117	87	220
Disposals	-	-	-	(39)	(39)
Balance at 30 June 2019	1,006	698	26,649	358	28,711

In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total
Depreciation and impairment losses					
Balance at 1 July 2017	390	323	2,289	267	3,269
Depreciation for the year	40	49	312	10	411
Disposals	-	-	(58)	(14)	(72)
Balance at 30 June 2018	430	372	2,543	263	3,608
Balance at 1 July 2018	430	372	2,543	263	3,608
Depreciation for the year	41	43	297	17	398
Disposals	-	-	-	(39)	(39)
Balance at 30 June 2019	471	415	2,840	241	3,967

Carrying amounts

In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total
At 1 July 2018	616	359	24,347	26	25,348
At 30 June 2018	576	310	23,989	47	24,922
At 30 June 2019	535	283	23,809	117	24,744

Plant and equipment associated with the Lake Johnston and Black Swan nickel remains on care and maintenance. Both projects remain in the exploration and evaluation phase and accordingly associated plant and equipment items are not installed, ready for use. No depreciation has been charged on these assets.

At 30 June 2019, the total carrying amount of these assets was $22,983,000 (2018: $22,983,000).

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 (2018: $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 site.

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 site rehabilitation provision of $3,500,000 (2018: $3,500,000), classified as "current", 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 $46,418,000 (2018: $42,766,000) 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.

Movements in non-current provisions

Movements in the provision for site rehabilitation costs during the period are set out below:

In thousands of AUD	2019	2018
Carrying amount of liability at beginning of period	42,766	43,701
Addition / (reduction) to provision	3,652	(935)
Carrying amount at end of period	**46,418**	**42,766**

Movements in provisions represent changes in underlying inflation, discount and timing assumptions in present value calculation.

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. These obligations are not provided for in the financial report and are payable as follows:

In thousands of AUD	2019	2018
Less than one year	1,635	1,696
Between one and five years	6,221	6,312
More than five years	11,414	12,962
	19,270	**20,970**

Section 4 – Working Capital Disclosures

This section focusses 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 approximates fair value.

a. Cash and cash equivalents

In thousands of AUD	2019	2018
Bank balances	633	2,036
Term deposits < 3 months	24,500	12
Cash and cash equivalents in the statement of cash flows	25,133	2,048

The effective interest rate on term deposits < 3 months in 2019 was 2.41% (2018: 1.80%).

b. Reconciliation of cash flows from operating activities

In thousands of AUD	2019	2018
Cash flows from operating activities		
Loss for the year	(10,495)	(9,654)
Adjustments for:		
Depreciation	398	411
Interest expenses – convertible note derivative	2,294	2,007
Interest expenses – borrowings	1	6
Change in fair value of convertible note derivative	(1,939)	1,367
Net (profit) / loss on sale of plant and equipment	(36)	15
Net foreign exchange loss	1,312	1,014
Equity-settled share-based payment transactions	136	512
Operating loss before changes in working capital and provisions	(8,329)	(4,322)
Change in trade and other receivables	(1,034)	(42)
Change in trade payables and employee benefits	(55)	601
Net cash used in operating activities	(9,418)	(3,763)

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	2019	2018
Goods and services tax receivable	368	123
Fuel tax credits receivable	-	12
Interest receivable	753	-
Other receivables	72	45
Other assets and prepayments	119	99
	1,312	279

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	2019	2018
Trade payables	1,360	695
Other payables	582	451
Accrued interest – convertible note derivative	312	296
	2,254	1,442

Section 5 – Equity and Funding

This section focusses 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

	ORDINARY SHARES	
In thousands of shares	2019	2018
Ordinary shares		
Fully paid	2,642,702	1,107,373
Total share capital on issue at 30 June	2,642,702	1,107,373
Movements in ordinary shares on issue:		
On issue at 1 July	1,107,373	911,700
Shares issued and expensed during the period:		
Issued for cash (i)	1,496,283	160,000
Issued for interest on convertible notes (ii)	7,188	35,673
Issued for performance rights	31,858	-
On issue at 30 June	2,642,702	1,107,373

(i) During the reporting period, the Company issued 1,535,328,611 Ordinary Shares at an average $0.05 per share to raise $76,358,817. The capital raising incurred transaction costs of $3,899,549.

(ii) 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.

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.

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 – convertible note

Convertible note liability and derivative

ACCOUNTING POLICY

Convertible note liability

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.

Convertible note derivative

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.

In thousands of AUD	Convertible note liability	Convertible note derivative	Total
Carrying amount at 30 June 2018	20,944	2,888	23,832
Fair value movements	-	(1,939)	(1,939)
Accrued interest capitalised	2,283	-	2,283
Payment of interest	(1,238)	-	(1,238)
Exchange rate effects	1,153	159	1,312
Carrying amount at 30 June 2019	23,142	1,108	24,250

The Company has an outstanding convertible note of US$17.5 million repayable in September 2020. On maturity the note is repayable in cash but may be converted to shares by the note holder prior to this point at a conversion price of A$0.09 per share. The interest coupon on the note is 5% and can be repaid in cash or shares at the discretion of the Company. The carrying amount of the liability has been calculated at the discounted original fair value, accrued for interest plus exchange adjustments.

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 2018 (share price $0.037) and 30 June 2019 (share price $0.035) is reflected in the fair value movement.

As the convertible note is 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 2018 was 0.7406:1 and at 30 June 2019, 0.7020:1.

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

5.3 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 management defines net debt as total borrowings including the convertible note (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 is 33% (2018: 180%) for the Group.

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-based 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 performance rights granted for STI is measured using the binomial option pricing model and for LTI using a hybrid share option pricing model that includes a Monte Carlo Simulation model due to the market based vesting conditions. 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).

6.1 Share-based payments arrangements

ACCOUNTING POLICY

The Group's annual Incentive Performance Rights Plan ("IPRP") provides for short term incentive (STI) and long term incentive (LTI) programs as share-based payment arrangements where employee incentives are settled in performance rights. The directors can elect to receive their annual director fee in performance rights under the Director Performance Rights Plan ("DPRP"). These represent compound financial instruments with potential debt and equity components.

The fair value of the compound instruments is determined by reference to each plan. For approved annual director fees, this 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 and LTI award 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	2019	2018
Performance rights expense	17	645
Reversal of prior year performance rights expense	(143)	-
Total expenses recognised as employee costs	(126)	645

Share options

No options were granted to directors or executives during the reporting period.

There were no options outstanding at 30 June 2019 (2018: Nil).

Shares

In prior years, the Board could decide to issue shares in relation to the short term performance bonus under the Poseidon Employee Bonus Scheme ("EBS"). The EBS has been replaced by the Incentive Performance Rights Plan as approved by shareholder at the 2015 AGM.

Performance rights

The Company suspended the STI and LTI Plans effective from 1 July 2017 and no performance rights were granted for FY2018 or FY2019. All LTI performance rights granted to executives for FY2016 and FY2017 were forfeited at 30 June 2018 and 30 June 2019, respectively due to the vesting conditions not being satisfied by the due date. The expense continues to be recognised when market conditions are not satisfied and is reversed when non-market conditions are not satisfied.

The Board can decide to issue performance rights in relation to short term and long term performance incentive under the Incentive Performance Rights Plan ("IPRP") approved by shareholders at the November 2015 AGM. The STI performance rights are subject to operational KPIs measured over a 12 month period and the LTI performance rights are measured over a 3 year period with 75% of the performance rights granted measured against the Total Shareholder Return ("TSR") of a customised peer group of companies and 25% of the performance rights granted measured against an internal strategic target of growth in resource/reserve, once the Company has been in production for a minimum of 18 months.

Total shareholder return

The following table sets out the vesting outcome for 75% of LTIs based on the Company's relative TSR performance.

Relative TSR performance	Performance vesting outcomes
Less than 50th percentile	0% vesting
At the 50th percentile	25% vesting
Between 50th and 62.5th percentile	Pro-rata – straight line vesting from 25% and 50%
At the 62.5th percentile	50% vesting
Between 62.5th and 75th percentile	Pro-rata – straight line vesting from 50% and 100%
At or above 75th percentile	100% vesting

Once the Company has been in production for a minimum of 18 months, the quantum increase in reserve/resource will determine the number of performances rights that were granted under this hurdle, to vest. This is on the basis that the Company must replace depletion carried out by mining and then increase total reserves before vesting will begin to occur.

Section 6 – Other Disclosures (cont.)

6.1 Share-based payments arrangements (cont.)

Performance rights (cont.)

Internal strategic target

The following table sets out the vesting outcome for 25% of LTIs based on the Company's resource/reserve growth performance.

	RESERVES AND RESOURCES GROWTH PERFORMANCE (only assessable once the Company has been in production for a minimum of 18 months)	
Internal strategic target	**LTI KPI**	**% of performance rights vesting**
Reserves and resources growth performance	Reserves and resources depleted	No performance rights vesting
	Reserves and resources maintained	50% vesting of the performance rights
	Reserves grown by up to 30% and resources at least maintained	Between 50% and 100% vesting (pro-rata on a straight line basis) of the performance rights
	Reserves grown by 30% or more and resources at least maintained	100% of performance rights vesting

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

	Weighted average fair value 2019	Number of performance rights 2019	Weighted average fair value 2018	Number of performance rights 2018
Outstanding at 1 July	$0.047	36,484,630	$0.053	24,845,408
Granted during the period	-	-	$0.036	14,719,332
Exercised during the period	($0.040)	(31,856,781)	-	-
Forfeited during the period	($0.053)	(4,581,495)	($0.036)	(3,080,110)
Outstanding at 30 June	$0.049	46,354	$0.047	36,484,630
Vested and exercisable at 30 June	$0.049	46,354	$0.036	14,719,332

The performance rights granted to non-executive directors during FY18 are equal to and in lieu of the value of cash director fees and issued under the terms of the DPRP. The number of performance rights is calculated quarterly by dividing the value of the director fee by the 91 day volume weighted average price ("VWAP") of the Company's shares for each quarter. In addition, the Chairman receives performance rights for additional duties usually undertaken by the CEO. The number of performance rights is calculated by dividing the value of the monthly fee by the monthly VWAP.

No performance rights have been granted to directors or executives in relation to the 2019 year or since the end of the financial year as all remuneration has been paid in cash.

The performance rights issued to non-executive directors' in FY18 vest immediately upon grant and were exercised during the 2019 year.

The performance rights forfeited are in relation to LTI performance rights granted to executives for FY2016 and FY2017 forfeited at 30 June 2018 and 30 June 2019, respectively due to both market and non-market conditions not being satisfied by the due date.

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 AASB 9 Financial Instruments:

- 'Financial assets at fair value through other comprehensive income;
- 'Financial assets/ financial 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 assets/ 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.

Section 6 – Other Disclosures (cont.)

6.2 Financial risk management (cont.)

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 $25,133,000 (2018: $2,048,000), investments in term deposits of $35,012,000 (2018: $Nil), a security deposit of $3,500,000 (2018: $3,500,000) and other assets that were held with bank and financial institution counterparties which are rated A to AA-, based on Standard and Poor's ratings.

Trade and other receivables

As the Group operates in the mining exploration sector, the Group generally does not have trade receivables (only interest income, 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. As the Group has no sales revenue 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.

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.

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

Consolidated

30 June 2019						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	2,254	2,254	-	-	-	-
Convertible note	23,142	-	-	26,179	-	-
	25,396	2,254	-	26,179	-	-

Consolidated

30 June 2018						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	1,442	1,442	-	-	-	-
Convertible note	20,944	-	-	-	23,629	-
	22,386	1,442	-	-	23,629	-

1. As the convertible note liability (including the associated derivative) can only be paid out in shares and not cash prior to it's maturity in 2020, the cash outflow is shown only at maturity; and
2. The maturity analysis has assumed the earliest contractual maturity of the convertible note for a payment in cash. Interest on the convertible note can be settled in shares at the Group's discretion. 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 2019		30 JUNE 2018
In thousands of AUD	AUD	Total	AUD	Total
Convertible note derivative	(1,108)	(1,108)	(2,888)	(2,888)
Convertible note liability	(23,142)	(23,142)	(20,944)	(20,944)
Gross statement of financial position exposure	(24,250)	(24,250)	(23,832)	(23,832)

Section 6 – Other Disclosures (cont.)

6.2 Financial risk management (cont.)

(a) Currency risk (cont.)

Sensitivity analysis

The following sensitivities have been applied for 2019 and 2018 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 $1,212,500 (2018: $1,191,000).

(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	2019	2018
Fixed rate instruments		
Cash and cash equivalents	24,500	12
Other investments – term deposits	35,012	-
Convertible note liability	23,142	20,944
In thousands of AUD		
Variable rate instruments		
Cash and cash equivalents	633	2,036
Security deposits – environmental bond	3,500	3,500

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 2018 and 2019 a sensitivity analysis has not been disclosed in relation to the floating interest deposits as the results have been determined to be immaterial to the Statement of Profit or Loss and Other Comprehensive Income.

(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% (2018: 90%) 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, should the Group's share price be reduced by 80% (2018: 90%) the value of the derivative would be affected and the profit increased by $1,108,000 (2018: $2,873,000). An equal and opposite increase in the share price would have reduced profit by $3,047,000 (2018: $5,485,000).

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		2019	2018	2019	2018
Financial assets and liabilities measured at fair value					
Convertible note derivative	Level 2	1,108	2,888	1,108	2,888
Financial assets and liabilities not measured at fair value					
Convertible note liability	Level 2	23,142	20,944	22,076	19,550

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 a risk adjusted discount rate.

Section 6 – Other Disclosures (cont.)

6.3 Related parties

The key management personnel compensation included in 'personnel expenses' (note 2.3) and 'share-based payments' (note 6.1), is as follows:

In thousands of AUD	2019	2018
Short term employee benefits	924,414	561,321
Other long term benefits	50,621	56,917
Post-employment benefits	57,871	48,690
Share-based payments	-	621,029
Termination benefits	224,407	-
	1,257,313	1,287,957

Individual directors and executives compensation disclosures

Information regarding individual directors and executive's remuneration 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 8.3.

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.

6.4 Group entities

Significant subsidiaries

Parent entity	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
Poseidon Nickel Limited		2019	2018
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.

6.5 Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2019 the parent company of the Group was Poseidon Nickel Limited.

In thousands of AUD	2019	2018
Results of the parent entity		
Loss for the year	(10,495)	(9,654)
Total comprehensive loss for the year	(10,495)	(9,654)
Financial position of the parent entity at year end		
Current assets	61,457	2,327
Total assets	150,647	85,019
Current liabilities	5,869	5,132
Total liabilities	76,537	71,730
Total equity of the parent entity comprising of:		
Share capital	228,796	156,337
Share-based payments reserve	2	1,173
Accumulated losses	(154,688)	(144,221)
Total equity	74,110	13,289
Exploration expenditure commitments of the parent		
Less than one year	1,635	1,696
Between one and five years	6,221	6,312
More than five years	11,414	12,962
	19,270	20,970

6.6 Subsequent events

On 11 July 2019, the Company announced the appointment of Mr Brendan Shalders as Chief Financial Officer and Company Secretary with effect from 9 September 2019.

On 15 July 2019, the Company announced that all three Resolutions set out in the Proxy Statement dated 17 June 2019 and considered at the General meeting of Shareholders held on 15 July 2019 were passed and provided the replacement Constitution approved at the meeting.

On 2 September 2019, the Company announced the appointment of Mr David Riekie as Interim Chief Executive Officer, following the retirement of Mr Rob Dennis and pending an appointment of a permanent Managing Director and Chief Executive Officer.

On 9 September 2019, the Company announced the appointment of Mr Brendon Shalders as Joint Company Secretary. Ms Eryn Kestel also continues as Joint Company Secretary.

Section 6 – Other Disclosures (cont.)

6.7 Auditor's remuneration

	CONSOLIDATED	
In AUD	2019	2018
Audit services		
Auditors of the Group – KPMG		
Audit and review of financial reports	63,000	72,000
	63,000	72,000
Services other than statutory audit		
Form 5 audit	6,000	-
	69,000	72,000
	69,000	72,000

6.8 Changes in accounting policies

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, 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 de-recognition of financial instruments from AASB 39.

The revisions to the classification and measurement requirements and hedging changes and changes in relation to the expected credit loss model for calculating impairment on financial assets have not had a material impact based on the short term nature of the Group's assets.

The adoption of the above standard from 1 July 2018 has had no financial impact on these condensed financial statements and therefore did not give rise to any adjustments in the condensed financial statements.

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*.

The Group does not currently have any revenue so there has not been any material impact.

The adoption of this standard from 1 July 2018 has had no financial impact on these condensed financial statements and did not give rise to any adjustments in the condensed financial statements.

6.9 New standards and interpretations not yet adopted

AASB 16 *Leases*

The key feature of AASB 16 for (lease accounting) are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use asset similarly to other non-financial assets and lease liabilities similar to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-lined payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

AASB 16 contains disclosure requirements for lessees and is effective for annual reporting periods beginning on 1 July 2019, with early adoption permitted. The Group has assessed the potential impact on its consolidated financial statements resulting from the application of AASB 16. All current leases and major contracts have been reviewed and there is not expected to be a material impact.

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2019

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 34 to 71 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 2019 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 2019.

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
9 September 2019

KPMG

Independent Auditor's Report

To the shareholders of Poseidon Nickel Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Poseidon Nickel Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019.
- 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 then ended.
- Notes including a summary of significant accounting policies.
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Exploration and Evaluation Expenditure; and
- Site Rehabilitation Provisions.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Exploration and Evaluation Expenditure (A$60.9m)

Refer to Note 3.1 to the Financial Report

The key audit matter	How the matter was addressed in our audit

Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to:
• The significance of the activity to the Group's business and the balance (being 40% of total assets); and
• The greater level of audit effort to evaluate the Group's application of the industry specific accounting standard AASB 6 Exploration for and Evaluation of Mineral Resources, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E. Given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination of no impairment indicators.
In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:
• The determination of the areas of interest (areas);
• The documentation available regarding rights to tenure and compliance with relevant conditions to maintain current rights to an area of interest;
• The authoritative nature of external registry sources;
• The Group's intention and capacity to continue the relevant E&E activities; and
• The Group's determination of E&E recovery through successful development and exploitation of the area of interest, or alternatively, by its sale.
In assessing the presence of impairment indicators, we focused on those which may draw into question the commercial continuation of E&E activities for areas of interest where significant capitalised E&E exists. In addition to the assessments above, we paid particular attention to:
	Our audit procedures included:
	• Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard.
	• We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard.
	• For each area of interest, we checked the Group's current rights to tenure to government registries. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses.
	• We evaluated the Group's assessment of prospectivity for consistency with their stated intentions for continuing E&E in its areas of interest. We assessed this through interviews with key operational and finance personnel. The Group documents we evaluated included:
	  • Internal plans
	  • Minutes of board meetings
	  • Announcements made by the Group to the Australian Securities Exchange.
	• We assessed the impact of the ongoing uncertain nickel market to the Group's models underlying their decision for commercial continuation of activities.
	• We tested additions to E&E in the year by evaluating a statistical sample for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard.

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• The impact of the ongoing volatility in the nickel market and prices on the Group's strategy and intentions; and • The Group's assessment of prospectivity for areas of interest and the associated strategy, intention and capacity of the Group for the continuation of E&E activities in those areas of interest. These assessments can be inherently difficult, particularly in uncertain market conditions such as those currently being experienced in the nickel industry.	

Site Rehabilitation Provisions (A$49.9)

Refer to Note 3.4 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The determination of site rehabilitation provisions relating to Lake Johnston, Black Swan and Mt Windarra nickel exploration and evaluation assets is considered to be a key audit matter. This is due to the inherent complexity for the Group in estimating future environmental rehabilitation costs and for us in gathering persuasive audit evidence on the costs, particularly regarding those to potentially be incurred many years in the future. This is influenced by: • The current environmental and regulatory requirements, and the impact on completeness of environmental rehabilitation activities incorporated into the provisions estimate; • The expected environmental management strategy, and the nature of costs incorporated into the provisions estimate; and • The expected timing of the expenditure, given the sites are on care and maintenance with no set timeline for commencement of mining activities.	Our audit procedures included: • Comparing the basis for recognition and measurement of the provisions for consistency with environmental and regulatory requirements and criteria in the accounting standards. • Assessing the Group's determination of future required activities, their timing, and associated cost estimations contained within the provisions. We did this by comparing to the Group's external expert reports as well as Group prepared documentation across the sites where future obligations exist. These comparisons included unit costs, levels of disturbance and relevant regulatory requirements. We did this with an understanding of the Group's strategy for each site. • Assessing the competence, scope and objectivity of the Group's external experts used in determination of the provisions estimate. • Evaluating the completeness of the provisions to include each area of interest where disturbance requires rehabilitation based on our understanding of the Group's operations.

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Other Information

Other Information is financial and non-financial information in Poseidon Nickel Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report, the Remuneration Report and ASX additional information. The Chairman's message, CEO's report, Geology Update and Mineral Resource Statement are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001.
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our Auditor's Report.

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Poseidon Nickel Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 9 to 16 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

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Graham Hogg
Partner

Perth

9 September 2019

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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 of Poseidon Nickel Limited for the financial year ended 30 June 2019 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.

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Graham Hogg
Partner

Perth

9 September 2019

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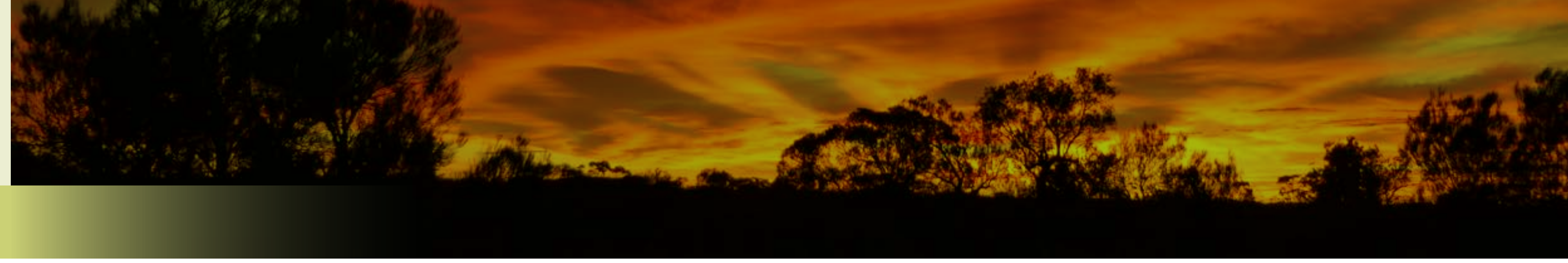
ASX Additional Information



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 6 September 2019.

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	1,789	790,091
1,001 – 5,000	1,806	5,278,203
5,001 – 10,000	981	8,004,918
10,001 – 100,000	3,000	119,825,380
100,001 and over	1,318	2,508,803,239
	8,894	2,642,701,831

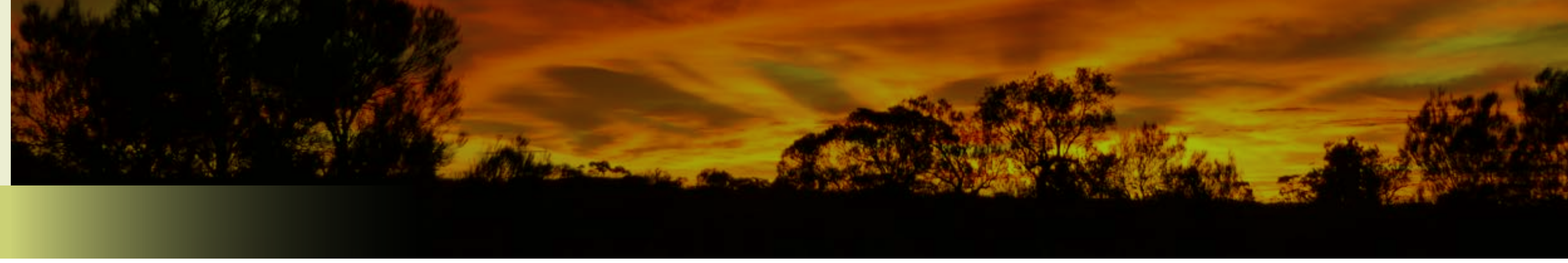
There were 4,124 holders of less than a marketable parcel of ordinary shares.

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
Edison Metals Pty Ltd	522,925,412	19.79
Forrest Family Investments Pty Ltd <Peepingee A/C>	452,292,204	17.11
Citicorp Nominees Pty Limited	158,934,011	6.01
UBS Nominees Pty Ltd	106,867,098	4.04
Brispot Nominees Pty Ltd <House Head Nominee A/c>	87,856,098	3.32
CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/c>	45,765,051	1.73
J P Morgan Nominees Australia Limited	39,559,565	1.50
BNP Paribas Noms Pty Ltd <DRP>	35,973,829	1.36
Warbont Nominees Pty Ltd <Unpaid Entrepot A/c>	34,283,827	1.30
Farjoy Pty Ltd	33,477,538	1.27
Mrs Rena Elizabeth Indermaur	26,122,794	0.99
Mr Christopher Charles Indermaur + Mrs Rena Elizabeth Indermaur <Indermaur Family S/F A/C>	25,899,682	0.98
Brazil Farming Pty Ltd	25,000,000	0.95
HSBC Custody Nominees (Australia) Limited	21,931,023	0.83
Minderoo Pty Ltd <Andrew & Nicola Forrest Family Investment A/c>	20,632,500	0.78
Xue Investments Pty Limited <Xue Family A/c>	19,121,345	0.72
Brahma Finance BVI Limited	17,900,000	0.68
Mr Damian Ronald Gillman + Mrs Lucia Gillman <Damian & Lucia Gillman A/c>	12,500,000	0.47
National Nominees Limited	12,022,810	0.45
Mr Robert Dennis	12,015,926	0.45
Total	1,711,080,713	64.73



C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Ordinary shares		
Black Mountain Metals Pty Ltd	522,925,412	19.79
Forrest Family Investments Pty Ltd <Peepingee A/C>	452,292,204	17.11

D. Unquoted equity security holders (as at 6 September 2019)

	Number held	Percentage
Unlisted Equity Securities	Nil	Nil

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	M38/1244, M38/1245, L38/118	100%
- Lake Johnston Nickel Assets	E63/1067, G63/0008, G63/0005, L63/0051, L63/0052, L63/0055, L63/0057, M63/0163, M63/0282, M63/0283, M63/0284, M63/0292, M63/0293, M63/0294, M63/0522, M63/0523, M63/0524, E63/1784	100%
- Black Swan Nickel Assets	M27/0039, M27/0200, M27/214, M27/0216, L27/0057, L27/0058, L27/0059, L27/0074, L27/0075, L27/0077, L27/0078, L24/0219, L24/0222	100%

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

Table 1: Nickel Projects Mineral Resource Statement

			MINERAL RESOURCE CATEGORY												
			INDICATED			INFERRED			TOTAL						
Nickel Sulphide Resources	JORC Compliance	Cut Off Grade	Tonnes (Kt)	Ni% Grade	Ni Metal (t)	Tonnes (Kt)	Ni% Grade	Ni Metal (t)	Tonnes (Kt)	Ni% Grade	Ni Metal (t)	Co% Grade	Co Metal (t)	Cu% Grade	Cu Metal (t)
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	0.01	4,200	NA	-
Silver Swan	2012	4.50%	108	9.4	10,130	61	9.7	5,900	168	9.5	16,030	0.19	316	0.4	679
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	0.05	1,800	0.10	3,400
WINDARRA PROJECT															
Mt Windarra	2012	0.90%	922	1.56	14,000	3,436	1.66	57,500	4,358	1.64	71,500	0.03	1,200	0.13	5,700
South Windarra	2004	0.80%	772	0.98	8,000	-	-	-	772	0.98	8,000	NA	-	NA	-
Cerberus	2004	0.75%	2,773	1.25	35,000	1,778	1.91	34,000	4,551	1.51	69,000	NA	-	0.08	3,600
TOTAL															
Total Ni, Co, Cu Resources	2004 & 2012		16,775	1.04	174,030	27,275	0.81	221,500	44,049	0.90	395,530	0.02	7,516	0.03	13,379

Note: Totals may not sum exactly due to rounding. NA = information Not Available from reported resource model. The Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
Black Swan Resource as at 22 July 2014, Silver Swan Resource as at 5 August 2019, Maggie Hays Resource as at 17 March 2015, Mt Windarra, South Windarra and Cerberus Resource as at 30 April 2013.

Table 2: Gold Tailings Project Mineral Resource Statement

			MINERAL RESOURCE CATEGORY								
			INDICATED			INFERRED			TOTAL		
Gold Tailings Resources	JORC Compliance	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.
Windarra Gold Tailings Resource as at 30 April 2013.

ORE RESERVE STATEMENT

Table 3: Nickel Projects Ore Reserve Statement

		ORE RESERVE CATEGORY						
		PROBABLE						
Nickel Sulphide Reserves	JORC Compliance	Tonnes (Kt)	Ni% Grade	Ni Metal (t)	Co% Grade	Co Metal (t)	Cu% Grade	Cu Metal (t)
SILVER SWAN PROJECT								
Silver Swan Underground	2012	57	5.79	3,300	0.11	60	0.26	150
Black Swan Open Pit	2012	3,370	0.63	21,500	NA	NA	NA	NA
TOTAL								
Total Ni Reserves	2012	3,427	0.72	24,800	0.11	60	0.26	150

Note: Calculations have been rounded to the nearest 10,000 t of ore, 0.01 % Ni grade 100 t Ni metal and 10t of cobalt metal.

Co & Cu grades and metal content for Black Swan require additional modelling prior to estimation. Silver Swan Underground Reserve as at 26 May 2017, Black Swan Open Pit Reserve as at 5 November 2014.

The Company is aware that the 2019 upgrade to the Silver Swan Indicated Resource will materially affect the Silver Swan Reserve above which was based upon the 2015 Silver Swan Resource Estimate. Such information is based on the information complied by the Company's Geologists and the Competent Persons as listed below in the Competent Person Statements.

Competent Person Statements

The information in this report that relates to Exploration Results is based on, and fairly represents, information compiled and reviewed by Mr Steve Warriner, Chief Geologist, who is a full-time employee at Poseidon Nickel, and is a Member of The Australian Institute of Geoscientists.

The information in this report which relates to the Black Swan Mineral Resource is based on, and fairly represents, information compiled by Mr Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd. The information in this report which relates to the Black Swan Ore Reserve is based on, and fairly represents, information compiled by Mr Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd and who is a Members of the Australasian Institute of Mining and Metallurgy.

The information in this report which relates to the Silver Swan Mineral Resource is based on, and fairly represents, information compiled by Mr Steve Warriner, Chief Geologist, who is a full-time employee at Poseidon Nickel, and is a Member of The Australian Institute of Geoscientists and Mr Kahan Cervoj 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 which relates to the Silver Swan Ore Reserve is based on, and fairly represents, information compiled by Mr Matthew 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 which relates to the Lake Johnston Mineral Resource is based on, and fairly represents, information compiled by Mr Steve Warriner, Chief Geologist, who is a full-time employee at Poseidon Nickel, and is a Member of The Australian Institute of Geoscientists and Mr 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, and fairly represents, information compiled by Mr Matthew Keenan who is a full time employee of Entech Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy.

Competent Person Statements (cont.)

The information in this report that relates to Mineral Resources at the Windarra Nickel Project and Gold Tailings Project is based on, and fairly represents, information compiled by Mr Steve Warriner, Chief Geologist, who is a full-time employee at Poseidon Nickel, and is a Member of The Australian Institute of Geoscientists and Mr 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 Windarra Project contains Mineral Resources which are reported under JORC 2004 Guidelines as there has been no Material Change or Re-estimation of the Mineral Resource since the introduction of the JORC 2012 Codes. Future estimations will be completed to JORC 2012 Guidelines.

Mr Warriner, Mr Cervoj, Mr Weeks, Mr Glacken and Mr Keenan 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 Warriner, Mr Cervoj, Mr Weeks, Mr Glacken and Mr Keenan have consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

Forward Looking Statement – Inferred Resource Statements

The Company notes that an Inferred Resource has a lower level of confidence than an Indicated Resource and that the JORC Codes, 2012 advises that to be an Inferred Resource it is reasonable to expect that the majority of the Inferred Resource would be upgraded to an Indicated Resource with continued exploration. Based on advice from relevant competent Persons, the Company has a high degree of confidence that the Inferred Resource for the Silver Swan deposit will upgrade to an Indicated Resource with further exploration work.

The Company believes it has a reasonable basis for making the forward looking statement in this announcement, including with respect to any production targets, based on the information contained in this announcement and in particular, the JORC Code, 2012 Mineral Resource for Silver Swan as of May 2016, together with independent geotechnical studies, determination of production targets, mine design and scheduling, metallurgical testwork, external commodity price and exchange rate forecasts and worldwide operating cost data.

Forward Looking Statements

This release contains certain forward looking statements including nickel production targets. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "except", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production and expected costs. Indications of, and guidance on future earnings, cash flows, costs, financial position and performance are also forward looking statements.

Forward looking statements, opinions and estimates included in this announcement are based on assumptions and contingencies which are subject to change, without notice, as are statements about market and industry trends, which are based on interpretation of current market conditions. Forward looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance.

Forward looking statements may be affected by a range of variables that could cause actual results or trends to differ materially. These variations, if materially adverse, may affect the timing or the feasibility and potential development of the Silver Swan underground mine.

CORPORATE DIRECTORY

Poseidon Nickel Limited

ABN: 60 060 525 206

Incorporated in Australia

Directors

Mr G Brayshaw

Mr K Paganin

Ms F Gooding

Interim Chief Executive Officer

Mr D Riekie

Company Secretary (Joint)

Ms E Kestel

Mr B Shalders

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Services Pty Ltd.

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172 St George's Terrace

Perth WA 6000

ASX Code

Shares: POS

Country of Incorporation and Domicile

Australia

POSEIDON NICKEL

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