

# ASX Announcement

## 20 November 2024

### CHAIRMAN'S ADDRESS 2024 POS AGM

Dear fellow shareholders,

I am here today with my fellow directors, Warren Hallam and Peter Muccilli and our CEO Brendan Shalders.

Since stepping down as MD & CEO in September 2023 and taking over as Chairman in November last year, the Australian nickel sulphide producers have had a torrid time. All Australian nickel sulphide mines and processing plants, with the exception of IGO's Nova Bollinger, have been placed on care and maintenance due to the weak spot nickel price and poor price outlook for the foreseeable future. The massive investment by the Chinese in the Indonesian nickel laterite mining and processing industry and rapid ramp up of production has flooded the nickel market at a time of softening demand and put into question the viability of many of the higher cost nickel sulphide producers.

The Board made the correct decision not to restart Black Swan last year and instead aggressively cut costs and looked for ways to leverage our existing land holdings and the two processing plants and associated infrastructure so the Company could continue to raise capital to maintain our assets until the nickel price improved markedly and to explore opportunities to create value for shareholders going forward.

Following a review of our assets we decided to divest the Lake Johnston project given the high level of activity in the area by the lithium explorers, the lithium prospectivity on our mining leases and the ability to repurpose the Lake Johnston concentrator to treat lithium ores to produce spodumene concentrate. Significant study work was done by Kidman Resources to process Mt Holland ore through the Lake Johnston processing plant prior to Wesfarmers acquiring Kidman in 2019. Our studies confirmed the plant could be repurposed to treat lithium bearing ores.

After receiving interest from a number of parties in March 2024 we signed a Binding Heads of Agreement with Mineral Resources Limited (MinRes) for MinRes to acquire the Lake Johnston project for \$15 million cash including a non-refundable \$1 million deposit. The deal would have given us significant financial capacity to execute our revised strategy which included an exploration focus targeting high-grade nickel and gold at both Black Swan and Windarra, to continue funding care and maintenance activities at Black Swan until the nickel price improved and to pursue new opportunities.

Unfortunately, in early May, MinRes terminated the Binding Heads of Agreement which was a shock to us and again required the revision of our strategy and for us to reconsider all options, especially our ability to raise new equity to continue to fund the care and maintenance activities at Black Swan given the continued weakness in the nickel price and lack of interest from the investment community in nickel sulphide assets.

In August, we undertook an entitlement offer and due to the support of some of our loyal shareholders were able to raise \$1.4 million, however this was insufficient to fund the ongoing care and maintenance of our three sites for an extended period, fund any meaningful exploration programs and cover our corporate costs. We immediately implemented another aggressive round of cost cutting including ceasing dewatering of the Silver Swan decline and sale of surplus equipment. Notwithstanding, it was clear that waiting for the nickel price to recover was not an option without the proceeds of the Lake Johnston sale and therefore we appointed Euroz Hartleys to run a process seeking a transaction that could deliver shareholder value from Poseidon's strategically

located assets. We shortlisted a number of parties and allowed them to undertake due diligence before receiving non-binding indicative offers.

This culminated in the joint announcement on 25 October that Poseidon and Horizon Minerals Limited (Horizon) had entered into a Scheme Implementation Deed under which Horizon proposes to acquire 100% of the fully paid ordinary shares in Poseidon and 100% of the unlisted Poseidon options by way of Schemes of Arrangement<sup>1</sup>. Pursuant to the terms of the Scheme Implementation Deed each holder of Poseidon Shares will receive 0.1156 Horizon shares for every one Poseidon share held and each holder of Poseidon unlisted options will receive 0.1156 new Horizon options to acquire Horizon shares for every one Poseidon option held, subject to certain conditions including Poseidon shareholders and optionholders voting in favour of the Schemes. The exchange ratio under the Share Scheme was based on a 40% premium to the 30-day VWAP of Poseidon shares for the period up to 22 October 2024 and an implied equity value for Poseidon of \$30 million<sup>1</sup>. A key driver of the transaction is the proposed conversion of the Black Swan plant to gold processing which should provide a low capital, near term processing pathway for Horizon to transition to a standalone gold producer and unlock the region for toll milling and potentially further consolidation<sup>1</sup>.

The Poseidon and Horizon Boards see this transaction as a pathway for Horizon to become a new mid-cap gold producer with a strong pipeline of production sources, mineral resource growth opportunities, advanced brownfield exploration targets and greenfield exploration opportunities and for Poseidon shareholders to leverage into significant gold resources at a time of record gold prices, should the Schemes be approved.

Further details regarding the advantages and disadvantages of the Schemes will be explained in a Scheme Booklet which will be distributed to Poseidon's shareholders and optionholders following approval of the Supreme Court of Western Australia at a hearing listed at 9.15am (AWST) on 11 December 2024.

In closing, my involvement with Black Swan dates back to the discovery of Silver Swan in 1995 and I have been heavily involved in the nickel operations since. I have seen a number of nickel price cycles during that time. The nickel price movements in the last 18 months is not what I envisaged when I joined Poseidon as MD & CEO back in early 2020 or even when I became Chairman late last year. The proposed merger with Horizon presents a unique opportunity for Poseidon shareholders and optionholders to have direct exposure to gold production and potential future resource growth which would not be available to them should the merger not go ahead while still having exposure to Poseidon's nickel resources when prices improve. I'm delighted that the Black Swan assets are now set to have the opportunity for a renaissance as a gold production facility under the proposed merger.

I would like to take this opportunity to thank both Warren and Peter for their guidance and support and Brendan Shalders for stepping up into the CEO role when my replacement Craig Jones departed in April to join a gold development company. I would also like to thank our loyal employees and contractors for their efforts and our shareholders for their patience and understanding throughout the journey.

Brendan will give a presentation once the formal business of the AGM has been completed.

*This announcement was authorised for lodgement by the Board of Poseidon Nickel Limited.*



**Peter Harold**  
Chairman

**20 November 2024**

**For further information contact Peter Harold: + 61 (0)8 6167 6600.**

<sup>1</sup> Joint ASX release dated 25 October 2024 titled "Horizon and Poseidon merging to fast-track the creation of a new WA mid-cap gold producer"