

## QUARTERLY REPORT

### 30 SEPTEMBER 2014

#### COMPANY OVERVIEW

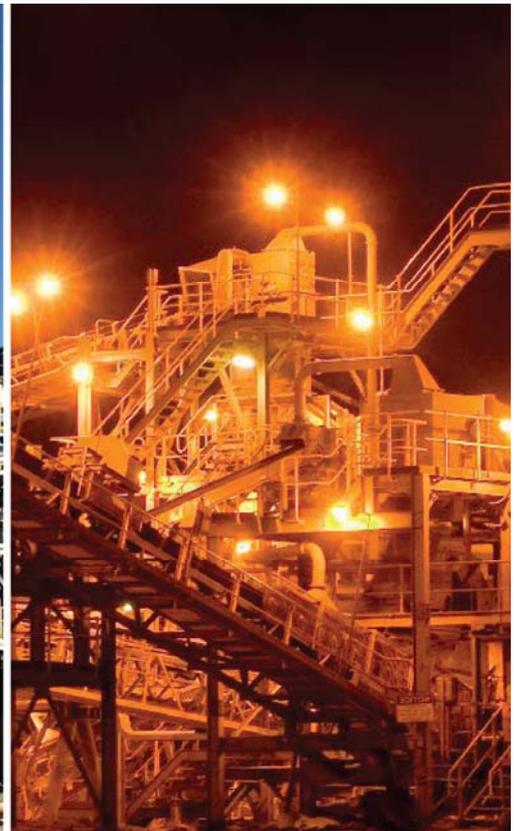
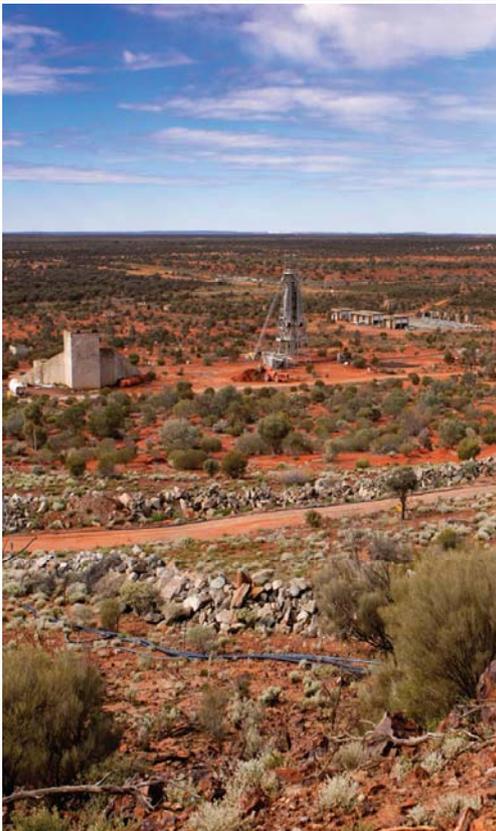
Poseidon Nickel Limited is an Australian based nickel development company focused on bringing its Projects into production.

Poseidon has recently signed an ore off take agreement for its Windarra Nickel Project, located in the heart of Western Australia's premier nickel mining region. Poseidon has invested over A\$100m over the last six years in refurbishing the existing mine and facilities and in extending the resource base of the Project to support an initial 10 year mine life.

The Company has significantly expanded its mine and processing capability through the acquisitions of the Black Swan and Lake Johnston nickel projects from Norilsk Nickel which have also materially reduced the capital cost of recommencing the Windarra operations.

The combined resource is one of the largest for any West Australian nickel sulphide project that has restarted production in the last decade a key feature of this Project is its low operating cost and capital intensity.

ASX CODE: POS



**COMPANY MILESTONES**

- Poseidon to purchase the Lake Johnston nickel project from Norilsk for \$1.0m
- Nickel Offtake Agreement signed with BHP Billiton Nickel West for the Windarra Nickel Project
- Results of engineering study into the restarting the Black Swan project announced
- Black Swan JORC 2012 mineral resource announced
- Definitive Feasibility Study into the restart of the Lake Johnston Project is underway and expected to complete in November 2014
- Completion of \$30 million oversubscribed placement
- \$8m Bridge Loan facility will be repaid on 29<sup>th</sup> October 2014 thereby eliminating further interest payments

**OVERVIEW**

Poseidon Nickel is currently undertaking an intensive programme of works with the aim of readying its three projects for production. These works include staff recruitment, essential engineering studies, liaison with regulatory parties and physical onsite works at Windarra. A more detailed overview of these activities is outlined below.

**Windarra Nickel Project Update**

The Windarra Nickel Project (WNP) consists of 2 underground nickel sulphide ore bodies at Mt Windarra and Cerberus. Mt Windarra is a brownfield restart project currently undergoing the final stages of refurbishment before production commences. Mt Windarra will mine ore and transport to BHP Billiton's Nickel West Leinster operation for toll treating into a smeltable grade concentrate. BHP will purchase all of the concentrate produced under this arrangement for further processing at its smelter in Kalgoorlie. BHP is currently seeking approval from the West Australian Government by the end of the calendar year to allow ore shipments from Mt Windarra to commence as planned.

The Windarra Nickel Project has been maintained in a high state of care and maintenance up to the recent signature of the offtake contract and the company's equity financing. In readiness to support full scale underground mining, Poseidon has been converting the mine dewatering system to a permanent system. This has involved the installation of 2 new mono pumps located approximately 300 metres underground and the refurbishment of an existing rising main to bring the water to the surface. This system is expected to be fully operational in the next few weeks.

Underground drilling of geotechnical holes have just been completed which will allow Poseidon to further refine the proposed mine plan and associated underground infrastructure. This work had not been planned to be carried out for several months but was brought forward to reduce project lead times. BHP will nominate the initial ore delivery date for toll treatment operations to commence and Poseidon will complete preparations for the mine to start ore production. These preparations include completion of the underground decline refurbishment, installation of additional hardware and preparing the mining levels for operations. The contract for these works is now in place and personnel from GSM mining are onsite carrying out initial activities.

The planned acquisition of Lake Johnston and Black Swan is expected to provide access to a range of underground hardware which otherwise would have been procured as new including mine refuge chambers, vent fans mine safe electrical control boxes and mine

rescue equipment. Access to these stores will further reduce the initial site capital costs and lead times and represents an unplanned benefit from the acquisitions.

Poseidon has been undertaking further optimisation of the Mt Windarra mine schedules following the recent resource update and is revising the project ore Reserves based on the drilling completed in 2013. The updated Reserve will be released in early November upon completion by external consultants

In addition, Poseidon is re-tendering the underground mine contract to seek further cost reductions given the current market conditions and equipment availability. Initial estimates of ore haulage costs from Mt Windarra to BHP's Leinster site have also been received and formal tenders are now being prepared. Poseidon continues to engage with the Department of State Development (DSD) and Laverton Shire Council to update the Project Execution Plan and associated licencing to reflect the revised project structure. This is a consequence of the recently signed contract with BHP which eliminates the need for a nickel concentrator plant and other above ground infrastructure to be built on the Windarra site. The changes proposed considerably reduce the environmental and activity footprint on the site and are thus beneficial.

### **Black Swan Project Update**

Poseidon announced the agreement to purchase Black Swan from Norilsk Nickel in July 2014. Poseidon is currently undergoing legal completion activities which are progressing satisfactorily and are expected to be complete by the end of 2014.

Whilst the completion process is underway, Poseidon has completed a feasibility study on the project, the results of which were announced to the market in August 2014. Since then, engineering has focussed on key activities identified in the feasibility study to ensure that time is well used prior to completion. As an example, engineering studies and licencing requirements on the tailings facility, power supply and haul road access are being actioned as if completion had already occurred. In addition, Poseidon is preparing contractual tenders for mining and haulage, and is seeking a fixed price for the processing plant refurbishment to an outline specification developed previously.

Offtake interest for Black Swan has been positive and parties are currently preparing initial offers. Poseidon believes that the long mine life potential of Black Swan will be attractive to certain parties.

Poseidon has announced a JORC compliant resource for Black Swan and expects to announce an initial mine reserve within 2 weeks.

### **Lake Johnston Project Update (see additional details below)**

Poseidon announced the agreement to purchase Lake Johnston in September 2014. Poseidon and Norilsk are currently undergoing legal completion activities which are progressing quickly. Completion is expected within the next 2 weeks.

Poseidon has commissioned Golder Associates to complete a re-estimate of the Maggie Hays Deposit (Lake Johnston) Mineral Resource estimate to meet JORC 2012 Code requirements. Golder was given the work as they are familiar with the drill database and completed previous estimate for Norilsk. This is nearing completion and will be reported in the coming period. Preparation work for mine scheduling and estimating a JORC 2012 Ore Reserve has subsequently commenced and Golder will complete this work following the finalisation of the Mineral Resource estimation.

Poseidon is also undertaking a feasibility study on the restart of the project using a number of experienced contractors and industry consultants. The feasibility study will include

capital and operating costs and identify the restart schedule and necessary resource drilling to increase the project reserve life. It is expected that the feasibility study will be released during November 2014.

In addition to these engineering studies, Poseidon has released a Letter of Interest to several parties for initial offtake terms which have now been received. Lake Johnston has historically produced a high quality smeltable concentrate which has attracted strong interest from these parties. Tenders for a number of key contracts are being prepared e.g. underground mining operations, transport logistics (for concentrates), Tailings Storage Facility (TSF) wall lift and fixed price plant and underground recommissioning.

Poseidon has also commenced engagement with regulatory and other interested parties to ensure that the project can proceed rapidly. These parties include:

- The Department of Mines and Petroleum (for general licencing issues and transfers)
- The Department of Environment and Conservation (for general environmental compliance including the current tailings dam),
- The Esperance Chamber of Commerce
- The Esperance & Dundas Shire Councils for project updates and to review potential drive in and drive out operations from the shire to the project; and
- The Esperance Port Authority (to review potential export shipment conditions for nickel concentrate).

The primary initial focus of the Poseidon geology team will be extending the Reserve and Resource life of Lake Johnston. Poseidon believes that Lake Johnston has considerable untapped geological potential both in and around the Maggie Hays ore body as well as regionally. The first priority of the Team is to identify areas underground at Maggie Hays and around the current open mine development areas which are accessible from the existing decline with the intention of extending the project Reserves.

The Poseidon geological team have had a good track record of success at the Windarra Project (and previously in other West Australian nickel companies) drilling major new extensions to the Mt Windarra ore bodies whilst discovering and drilling out the Cerberus Deposit. The successful experiences and technical capabilities which have been developed over the last decade in the Kambalda district and more widely in the Goldfields nickel regions will be applied at Lake Johnston.

Poseidon's geologists have been actively compiling, reviewing and modelling the Lake Johnston data in preparation for initiating exploration activities following the completion of the acquisition. In recent weeks the geologists have spent time in the field completing first pass on ground evaluations of the tenements so as to understand the context of the data and the targets being modelled. Structural models are being developed based on recent advances at Western Areas' Forrestania Project 80km to the west, as well as a recent study into targeting the structural controls on remobilised nickel sulphides at Lake Johnston.

Specialised 3 Dimensional (3D) modelling software is being used to fully evaluate the exploration targets within the drilling data to determine the nickel "fertility" of each of the tenement areas as well as revealing hidden structural/mineralised trends that have been previously overlooked.

New exciting trends are beginning to emerge and initial analysis indicates several areas of interest which will be followed up.

The geological team will also be preparing for more regional opportunities both nearby the Emily Anne and Maggie Hays ore bodies and post that, further afield. A number of underground anomalies previously identified from down-hole electromagnetic surveys will be followed up post the underground work at Maggie Hays. Site disturbance clearances will

be sought from the relevant agencies in parallel with the initial underground activities so that these areas can be explored at a future date.

With our geologists track record of discovery the company is confident that a “new set of eyes” and modern 3D modelling will generate worthy exploration drill targets. These will be comprehensively reported at the completion of the modelling process, following the finalisation of the acquisition.

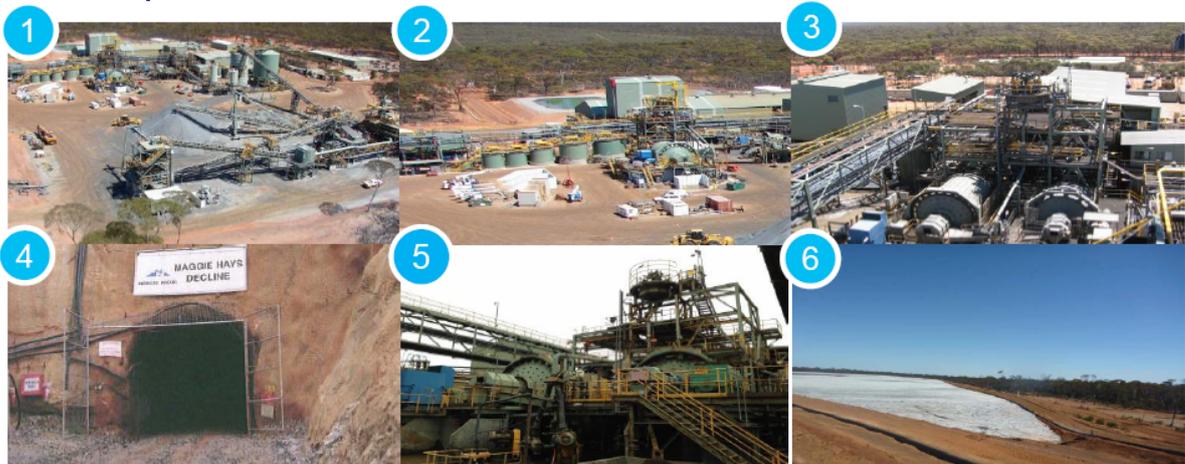
**Lake Johnston acquisition details (previously announced)**

The Company has agreed to acquire the Lake Johnston nickel operation from OJSC MMC Norilsk Nickel (“Norilsk”) for \$1.0 million. Poseidon has paid an initial deposit of \$100,000 with the remaining amount due when certain conditions precedent are met, as outlined in the original announcement. Poseidon will assume existing and ongoing environmental obligations.

Lake Johnston includes the Maggie Hays underground mine and a 1.5 million tonne per annum concentrator plant. The process plant and mine were placed on care and maintenance in April 2013 and have been maintained to a high standard and are in an operational ready condition.

Poseidon is currently evaluating the restart of Lake Johnston with a view to bringing it back into production shortly after contract completion. The project has historically produced over 12,000 tonnes nickel per annum in a good quality smeltable concentrate. Rapallo has been engaged to produce a detailed estimate of costs to refurbish the plant suitable for operations.

**Lake Johnston Snapshot**



- |  |                             |
|--|-----------------------------|
| 1. 3-stage crushing circuit                  | 4. Maggie Hays decline      |
| 2. Primary mill and concentrate storage shed | 5. Grinding Mill            |
| 3. Concentrate regrind circuit               | 6. Tailing storage facility |

**EXPLORATION**

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

- Golders has consented to the release of the attached mineral resource statement (Table 1 below) and Attachment A (refer to original announcement) as required under the JORC 2012 code.

**Table 1: Black Swan Open pit Mineral Resources at 0.4% Ni cut-off grade as at 22 July 2014**

Source	Indicated			Inferred			Total		
	Mt	Ni %	Ni kt	Mt	Ni %	Ni kt	Mt	Ni %	Ni kt
Black Swan	8.4	0.70	59.1	20.7	0.54	111.9	29.1	0.59	170.9
Stockpiles	1.2	0.49	5.9	0.4	0.53	1.9	1.6	0.50	7.8
<b>Total</b>	<b>9.6</b>	<b>0.68</b>	<b>64.9</b>	<b>21.1</b>	<b>0.54</b>	<b>113.8</b>	<b>30.7</b>	<b>0.58</b>	<b>178.7</b>

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

## FINANCIAL

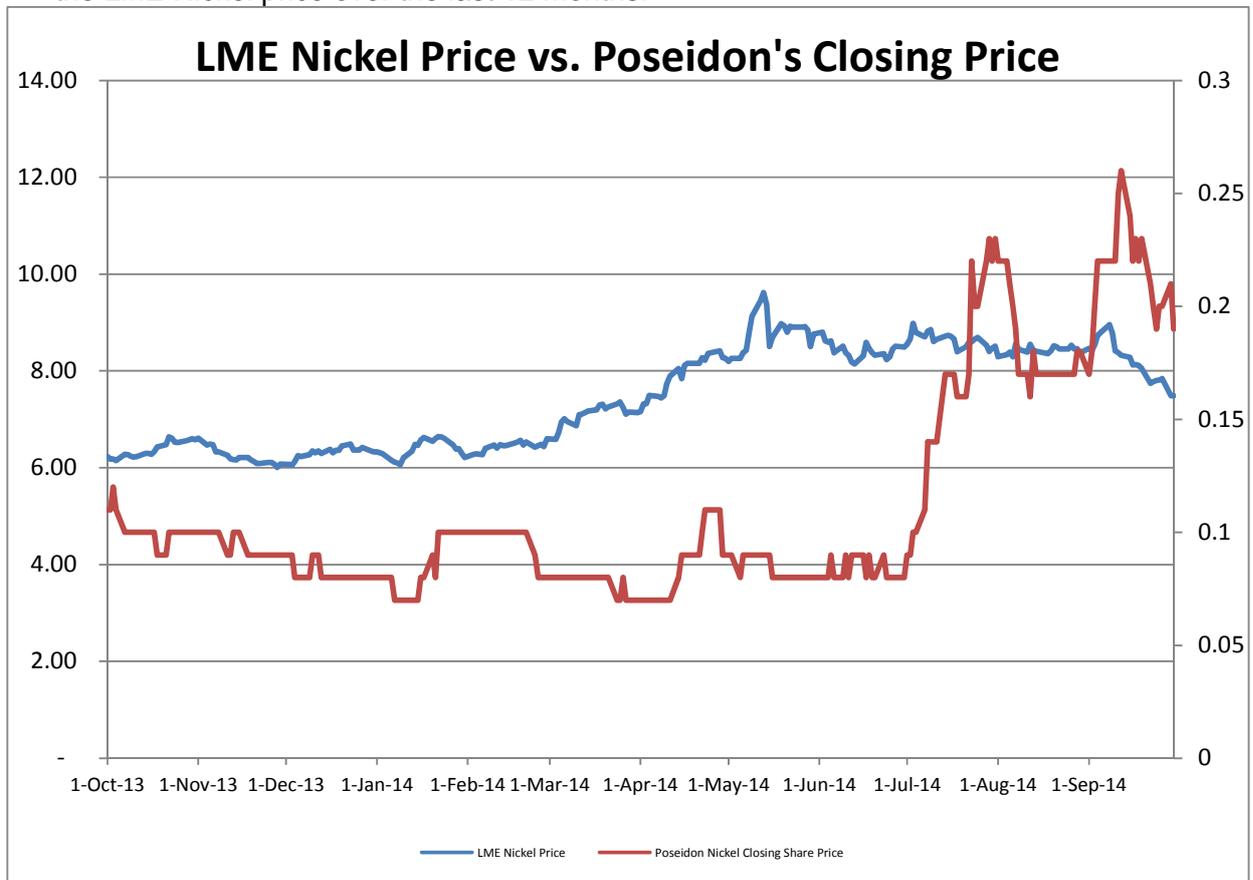
- As at 30 September 2014, the Company had cash and receivables of \$3.3 million which includes cash on hand of \$1.9 million plus a refundable tax offset from the ATO under the Research and Development Tax Incentive scheme for \$1.4 million in relation to the 2014 tax year that was received on 13 October 2014.
- During October 2014, the Company completed a capital raising for \$30 million, through the placement of Fully Paid Ordinary Shares to professional and sophisticated investors. Poseidon will place 166,666,768 shares at \$0.18 per share utilising the Company's 15% and remaining 10% placement capacities under the ASX Listing Rule 7.1 and 7.1A respectively. The placement was led by Petra Capital and will occur in two tranches. The first tranche funds were received on 15<sup>th</sup> October 2014 totalling \$15.3 million less costs of \$765,000 comprising the placement of 84,999,956 Shares. The second tranche will comprise the placement of 81,666,812 shares to raise a further \$14.7 million which is subject to shareholder approval at a General Meeting to be held on 26 November after the Annual General Meeting. Details of the two meetings and the Resolutions have been sent to shareholders as required under the Corporations Act.
- The \$8 million loan facility with Munderoo Foundation will be repaid on 29<sup>th</sup> October 2014.

## CORPORATE

- In line with Poseidon's policy to only pay Directors fees in shares in order to retain the cash reserves of the Company, 436,973 Fully Paid Ordinary Shares were issued in lieu of Directors fees for the quarter to June under the terms of the Director Share Plan. The shares were issued on 7 July 2014 at a deemed issue price of \$0.0904 based upon the volume weighted average sale price ("VWAP") for the 91 days prior to the expiration of the quarter. The payment of shares as opposed to cash is intended to reduce the cash cost to the Company and was approved by shareholders at the Annual General Meeting held on 28 November 2013.

**MARKET INFORMATION**

- Figure 1 below shows the underlying correlation between Poseidon's share price and the LME Nickel price over the last 12 months.



**Figure 1: Poseidon share price graph compared to LME Nickel price**

**David P.A. Singleton**  
 Managing Director & CEO

29<sup>th</sup> October 2014

## **CORPORATE DIRECTORY**

### **Director / Senior Management**

David Singleton	Managing Director & Chief Executive Officer
Chris Indermaur	Non-Executive Chairman
Geoff Brayshaw	Non-Executive Director
Robert Dennis	Non-Executive Director
Ross Kestel	Company Secretary

### **Corporate Enquiries**

Mr David Singleton – MD & CEO  
P: 61 8 9382 8799  
F: 61 8 9382 4760

E: [admin@poseidon-nickel.com.au](mailto:admin@poseidon-nickel.com.au)

### **Shareholder Enquiries**

Enquiries concerning shareholdings should be addressed to:

Computershare Investor Services  
GPO Box D182, Perth WA 6840  
P: 61 8 9323 2000

### **Principal Office**

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331-335 Hay Street  
SUBIACO WA 6008  
P: 61 8 9382 8799  
F: 61 8 9382 4760

### **Registered Office**

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100 Railway Road  
SUBIACO WA 6008  
P: 61 8 9367 8133  
F: 61 8 9367 8812

### **Media Enquiries**

P: 61 8 9382 8799  
F: 61 8 9382 4760  
E: [admin@poseidon-nickel.com.au](mailto:admin@poseidon-nickel.com.au)

### **Home Exchange**

The Company's shares are listed on the Australian Securities Exchange and the home exchange is Perth  
ASX code: POS

**ORE RESERVE STATEMENT**

Windarra Nickel Sulphides	Ore Reserve Category (JORC 2004)		
	Probable		
	Tonnes	Ni% Grade	Ni Metal t
Cerberus	1,221,000	1.3	16,000
Mt Windarra	498,000	1.78	9,000
<b>Total</b>	<b>1,719,000</b>	<b>1.44</b>	<b>25,000</b>

**Table 2: Windarra Nickel Project Ore Reserve Statement**

**MINERAL RESOURCE STATEMENT**

Windarra Nickel Project Sulphides	Cut Off Grade	Mineral Resource Category (JORC 2004)								
		Indicated			Inferred			TOTAL		
		Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Mt Windarra	0.75%	1,217,000	1.39	17,000	3,553,000	1.78	63,000	4,770,000	1.68	80,000
South Windarra	0.80%	772,000	0.98	8,000	-	-	-	772,000	0.98	8,000
Cerberus	0.75%	2,773,000	1.25	35,000	1,778,000	1.91	34,000	4,551,000	1.51	69,000
<b>Total Sulphide</b>		<b>4,762,000</b>	<b>1.24</b>	<b>60,000</b>	<b>5,331,000</b>	<b>1.82</b>	<b>97,000</b>	<b>10,093,000</b>	<b>1.55</b>	<b>157,000</b>

Black Swan Nickel Project Sulphides	Cut Off Grade	Mineral Resource Category (JORC 2012)								
		Measured & Indicated			Inferred			TOTAL		
		Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Black Swan	0.40%	9,600,000	0.68	64,900	21,100,000	0.54	113,800	30,700,000	0.58	178,700
<b>Total Black Swan</b>		<b>9,600,000</b>	<b>0.68</b>	<b>64,900</b>	<b>21,100,000</b>	<b>0.54</b>	<b>113,800</b>	<b>30,700,000</b>	<b>0.58</b>	<b>178,700</b>

**Table 3: Windarra and Black Swan Nickel Project Mineral Resource Statement**

Windarra Gold Tailings Project	Mineral Resource Category (JORC 2004)		
	Indicated		
	Tonnes (kt)	Grade (g/t)	Au (oz)
<b>Total Gold Tailings</b>	<b>11,000</b>	<b>0.52</b>	<b>183,000</b>

**Table 4: Windarra Gold Tailings Project Mineral Resource Statement**

*Note: Totals in the tables may not be mathematically accurate due to JORC rounding requirements.*

**Notes**

The information in this report which relates to the Black Swan Mineral Resource is based on information compiled by Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd, and Member of the Australasian Institute of Mining and Metallurgy. Andrew Weeks has sufficient relevant experience to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012).

*The information in this report that relates to the Windarra Nickel Project, Mineral Resources is based on information compiled by Mr N Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists and Mr I Glacken who is a Fellow of the Australasian Institute of Mining and Metallurgy as well as a full time employee of Optiro Pty Ltd.*

*The information in this report that relates to Ore Reserves at the Windarra Nickel Project is based on information compiled by Denis Grubic, who is a Member of The Australasian Institute of Mining and Metallurgy as well as a full time employee of Rock Team Pty Ltd.*

*Mr Hutchison, Mr Glacken, Mr Weeks and Mr Grubic 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code 2004). Mr Hutchison, Mr Glacken, Mr Weeks and Mr Grubic have consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*Mineral Resources in this document 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.*

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

**TENEMENTS****Mining Tenements Held as at 30 September 2014**

<b>Areas of Interest</b>	<b>Tenements</b>	<b>Economic Entity's Interest</b>
<b>Western Australia</b>		
- Windarra Nickel Assets	MSA 38/261, G38/21, L38/121, L39/184, L38/199, L38/218, L39/221	100%
- Windarra South	L38/119, L38/122, L38/220	100%
- Woodline Well	M39/1075, L39/224	100%
- Pool Well	M38/1243, M38/1244, M38/1245, L38/118	100%
- Brown Well	P38/3989, P38/3990, P38/3991	100%

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

**Mining Tenements Acquired and Disposed during the September 2014 Quarter**

Disposed of E38/2705, E38/2706 & E38/2707

**Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements during the September 2014 Quarter**

Nil

**Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements Acquired or Disposed of during the September 2014 Quarter**

Nil

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 010/7/96. Origin: Appendix 8. Amended 010/7/97, 01/07/98, 30/09/2001, 01/06/2010, 17/12/10, 01/05/2013.

Name of entity

Poseidon Nickel Limited

ABN

60 060 525 206

Quarter ended ("current quarter")

30 September 2014

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,000)	(1,000)
(b) development	-	-
(c) production	-	-
(d) administration	(860)	(860)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	26	26
1.5 Interest and other costs of finance paid	(423)	(423)
1.6 Income taxes paid	-	-
1.7 Other - sundry income	33	33
<b>Net Operating Cash Flows</b>	<b>(2,224)</b>	<b>(2,224)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(85)	(85)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – Deposit paid for Black Swan Nickel Project	(150)	(150)
<b>Net investing cash flows</b>	<b>(235)</b>	<b>(235)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,459)</b>	<b>(2,459)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,459)	(2,459)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(2,459)	(2,459)
1.20	Cash at beginning of quarter/year to date	4,363	4,363
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>1,904</b>	<b>1,904</b>

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	133
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

On 7 July 2014, 436,973 ordinary shares were issued at a price of \$0.090426 as approved by the Shareholders at the November 2013 Annual General Meeting. The shares were issued to the Non-Executive Directors in lieu of Directors Fees for the June 2014 quarter. This has not been included in the above cash flow.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

**Financing facilities available**

+ See chapter 19 for defined terms.

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	43,103	43,103
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,500
4.2 Development	-
4.3 Production	-
4.4 Administration	1,500
<b>Total</b>	<b>4,000</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,896	4,355
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other – Term Deposits	8	8
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,904</b>	<b>4,363</b>

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	E38/2705, E38/2706 & E38/2707	Owned	100%	Nil
6.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

+ See chapter 19 for defined terms.

Appendix 5B  
Mining exploration entity and oil and gas exploration entity quarterly report

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	513,904,288	513,904,288		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	436,973	436,973		
7.5 +Convertible debt securities <i>Unsecured</i>	36,531,904 This is an estimate only based on an average exchange rate of 1.0265.	-	\$0.40	The Notes have a March 2011 six year term convertible into fully paid ordinary shares.
	64,945,608 This is an estimate only based on an average exchange rate of 1.0265.	-	\$0.30	The Notes have a March 2011 six year term convertible into fully paid ordinary shares.
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>Unlisted</i>	2,975,000	-	<i>Exercise price</i> \$0.22	<i>Expiry date</i> 31 August 2016
	4,250,000	-	\$0.22	23 November 2016
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

**Compliance statement**

+ See chapter 19 for defined terms.

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Director)

Date: 29 October 2014

Print name: Geoff Brayshaw

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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