POSEIDON NICKEL

ASX:POS
ABN: 60 060 525 206

2023
Annual Report

For the year ending
30th June 2023

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Corporate Directory

ABN: 60 060 525 206
Incorporated in Australia

NON-EXECUTIVE DIRECTORS

Mr D La Ferla (retiring 27th October 2023)
Mr D Hildebrand (retiring 27th October 2023)
Mr P Muccilli
Mr W Hallam

CEO

Mr C Jones

COMPANY SECRETARY (JOINT)

Ms A Betti
Mr B Shalders

REGISTERED OFFICE

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Automic
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ASX CODE

Shares: POS

COUNTRY OF INCORPORATION AND DOMICILE

Australia

Chairman and Managing Director's Report

Derek La Ferla
Non-Executive Chairman
(Retiring 27th October 2023)

Peter Harold
Managing Director & CEO
(Transitioning to Chairman, commencing 27th October 2023)

Dear Shareholders,

The past year has seen a significant milestone achieved with the release of the Black Swan Bankable Feasibility Study. Following delivery of the study focus shifted to the Black Swan project restart. In this regard, we have progressed offtake and debt funding discussions with two large international groups, with drafting of the offtake and debt financing agreements well advanced with both shortlisted parties.

Unfortunately, base metal prices have softened and global equity markets remain volatile. This, together with the following project related items:

- grid power supply delays;
- metallurgical recovery assumptions requiring confirmation;
- the tight WA labour market; and
- lack of accommodation in Kalgoorlie for FIFO workers

lead us to make the decision in July 2023 to defer the Black Swan project restart.

It is hoped that base metal prices and equity markets will start to recover in calendar year 2024 once global interest rate tightening cycles peak. This will then provide a more favourable environment for the project's restart. In the meantime, we will continue to progress our strategic goals which are to:

- move Black Swan forward towards production;
- increase resource and reserves through targeted exploration; and
- assess business development opportunities that enhance shareholder value.

Following the deferral of the Black Swan restart the Company has implemented leadership and operational changes to reduce the corporate and asset holding costs while still allowing us to retain key personnel and intellectual property, explore and continue to move Black Swan forward, albeit more slowly, until the environment is right for the restart.

In addition to completing the Black Swan Bankable Feasibility Study during the year, we delivered the following:

- 11,000 metre reverse circulation drilling program at Black Swan with a further Black Swan Disseminated Mineral Resource update - upgrading the resource to 26.3Mt averaging 0.72% nickel for 189kt of nickel metal contained. This represents a 48% increase in the contained nickel in the Measured and Indicated Mineral Resources compared to the 2022 Resource;
- breakthrough improvement in concentrate quality and saleability by utilising the existing Silver Swan ball mill to incorporate a rougher concentrate regrind step in the processing circuit;
- a competitive tender process for the offtake of nickel concentrate and associated project debt financing which culminated in a short list of two international companies providing attractive offtake and debt financing terms for the Black Swan project;
- a number of pre-restart works at Black Swan including underground ladderway maintenance, rehabilitation of decline, pump station upgrades and underground dewatering, communications upgrade and pit dewatering;
- preliminary metallurgical testwork demonstrating the amenability of concentrates produced from both serpentinite and talc carbonate ore types to pressure oxidation for refinery feed, further supporting the Black Swan Expansion Project;
- production of rougher concentrate with samples provided to potential customers for hydro-metallurgical testwork to confirm downstream processing potential;
- receipt of an Exploration Incentive Scheme co-funding grant from the WA State Government of up to $180,000 to assist with funding exploration of the highly prospective Western Ultramafic Unit at the Lake Johnston Project;
- shallow air core and reverse circulation drilling to delineate 14km of the interpreted overturned basal contact of the Western Ultramafic Unit at Lake Johnston which identified multiple zones of anomalous nickel and other trace elements presenting highly prospective follow-up targets;
- Heads of Agreement with Green Gold Projects Pte Ltd for processing of Windarra gold tailings (subsequently terminated due to non-satisfaction of conditions precedent to the agreement);
- negotiation of terms with a regional resources company for processing the Lancefield gold tailings and potentially the Windarra gold tailings along with accessing the considerable water resource in the South Windarra pit; and
- raising a combined $12 million via placement and share purchase plan.

Going forward, the Company will continue to assess the restart of Black Swan based on the outlook for global commodity and equity markets and the nickel price environment. While we wait for the right time to restart, the team continues to progress key workstreams for Black Swan, including grid power studies with Western Power, additional metallurgical testwork to confirm the metallurgical recoveries used in the Feasibility Study, assessing accommodation options in Kalgoorlie for the proposed FIFO workforce and continuing negotiations with the two shortlisted offtake and debt financing providers. We remain committed to restarting Black Swan when the nickel price outlook and equity markets are more favourable.

We are also progressing with the Black Swan Expansion Project Feasibility Study which is based on mining both the serpentinite and talc carbonate ore from the open pit and producing rougher concentrate with a 5-6% nickel grade and higher magnesium oxide content (circa 20%), which could be processed via a high-pressure acid leach or pressure oxidation plant. The benefit of the Expansion Project is that the annual production of nickel concentrate would increase by operating the mill closer to the 2.2Mtpa nameplate capacity and the mine life could be extended due to the ability to treat talc carbonate material which is not included in the current ore reserves. Rougher concentrate samples have been supplied to potential customers to confirm suitability as a feed source for their hydrometallurgical processes. The Prefeasibility Study for the Expansion Project is due for completion late 2023, subject to receiving confirmatory payabilities for the concentrate.

On the exploration front, we completed a 6,500 metre exploration drilling program at Lake Johnston which returned positive results identifying highly prospective targets along the Western Ultramafic Unit. This drilling has enhanced the prospectivity at Maggie Hays West with the hypothesis that there could be an open ended mineralised channel target up to 400m wide corresponding to a discrete magnetic feature. These results present compelling follow up targets and drilling has already commenced to further define these targets and provide additional information to undertake deeper drilling in the future. We rate the potential for a new high grade resource at Lake Johnston as high and consequently have focussed our exploration efforts there for the foreseeable future.

> We completed a 6,500 metre exploration drilling program at Lake Johnston which returned positive results identifying highly prospective targets along the Western Ultramafic Unit.

On Windarra, our primary focus was finding a partner for the gold tailings project and during the year we entered into a Heads of Agreement (HOA) with Green Gold Projects Pte Ltd (GGP) whereby GGP could develop and operate the gold tailings project. Unfortunately, after significant testwork GGP could not improve the gold recoveries we had assumed for the Feasibility Study using their proprietary technology and the HOA was subsequently terminated. Following GGP terminating the HOA, we received an expression of interest from a resources company with facilities close to Windarra to process the Lancefield gold tailings and potentially the Windarra gold tailings, along with accessing the water resource in the South Windarra pit. We are progressing this opportunity in parallel with another strategy for Windarra to unlock value for our shareholders.

The decision to defer the restart of Black Swan meant we had to reduce costs. To do that we made some significant personnel changes to reduce the corporate overhead while preserving the knowledge base of the Company. Peter Harold is transitioning from Managing Director to Non-Executive Chair, Craig Jones has been appointed CEO while Derek La Ferla and Dean Hildebrand will retire from the board effective 27 October 2023. We have also revised the care and maintenance operating model at Black Swan which will result in a material reduction in annual operating costs without impacting the restart timetable. Combined cost reductions from these initiatives total approximately $3 million on an annualised basis.

These were not easy decisions to make. However, they were necessary given the environment we are in and were in the interests of the Company as we move forward.

Along with others in the nickel sector, it has been a frustrating and somewhat difficult year. We firmly believe we are however well positioned to progress forward as we move into 2024. Can we on behalf of all of the board express our sincere thanks to our existing and new shareholders for your ongoing support.

Derek La Ferla
Non-Executive Chairman

Peter Harold
Managing Director & CEO

Operations & Project Studies

Black Swan Nickel Project

During FY2023, the Company's key focus at Black Swan was progressing toward a restart with completion of the Black Swan 1.1Mtpa Smelter Grade Concentrate Bankable Feasibility Study (BFS), negotiating separate offtake and project debt financing agreements with two large international groups and undertaking pre-restart related activities.

Notwithstanding the solid headway made over FY2023 progressing the project to an advanced stage, the decision to restart Black Swan was deferred in July 2023 due to the volatility in global commodity and equity markets, the need to complete additional metallurgical testwork on the open pit ore, the later availability of grid power, continued tightness in the labour market and accommodation availability in Kalgoorlie for FIFO workers. The Company expects a more favourable environment for project development moving into 2024. The primary aim of the Company remains to restart Black Swan as soon as it is feasible to do so.

Black Swan Smelter Grade Concentrate 1.1Mtpa Bankable Feasibility Study

The BFS contemplates mining a combination of underground massive sulphide ore, open pit disseminated serpentinite ore and tailings produced from historical processing of high grade ore from the Silver Swan underground mine. This material would be processed using the Black Swan processing plant at a refurbished capacity of 1.1Mtpa to produce nickel concentrate suitable for conventional nickel smelters. The BFS was completed in November 2022 and showed robust financials with average life of project nickel price assumption of US$10.73/lb and USD:AUD exchange rate $US0.69 with a pre-tax NPV_8 of $167M and IRR of 86%. The total mine inventory is presented in Table 1.

Table 1: Mining Inventory Feed Sources

Feed Source (kt)	JORC Compliance	Feed Tonnage (Mt)	Nickel Grade	Contained Nickel (kt)
Black Swan Disseminated	Proved & Probable Reserves	3.3	0.7%	22.1
Silver Swan		0.2	5.0%	9.0
Golden Swan		0.1	4.0%	4.0
Feed Source from Ore Reserve		3.6	1.0%	35.1
Silver Swan Tailings	Measured Resource	0.4	0.9%	3.2
Existing Surface Stockpiles	Indicated Resource	0.6	0.5%	3.2
Existing Surface Stockpiles	Inferred Resource	0.4	0.5%	2.0
Feed Source from Mineral Resources		1.4	0.6%	8.4
Total feed sources		5.0	0.9%	43.5

*Calculations have been rounded to the nearest 1,000t of ore, 0.1% Ni grade and 100t of metal.

The existing 2.2Mtpa processing capacity plant would be refurbished to a processing rate of 1.1Mtpa to align with the available processing mine inventory of 5.0Mt, presenting a post development project life of four years. Plant refurbishment and mine development works are expected to take about 11 months. The study reported a low pre-production capital expenditure requirement of ~$50 million, with total pre- and post-production capital expenditure totalling $93.7 million. This includes $38 million for the refurbishment of the Black Swan concentrator.

Over the life of the project, Black Swan will produce 200kt of smelter grade concentrate with an average nickel grade of 15%. With processing feed sources containing 43.5kt nickel and an average metal recovery of 68%, the project produces ~30kt nickel in concentrate.

An updated Black Swan Project Mineral Resource Estimate (MRE) was released in June 2023 that replaces the previous MRE completed in July 2022. This followed the completion of the drilling program undertaken between December 2022 and February 2023 discussed further in the exploration section. The updated MRE has resulted in:

- 48% increase in the contained nickel in the Measured and Indicated JORC Resource categories;
- 14% increase in the average nickel grade; and
- 8,000 tonne increase in total contained nickel.

Mineral Resource updates following the resource drilling of the BSD, Silver Swan and Golden Swan resources, the release of the Maiden Resource for the Silver Swan Tailings, plus the inclusion of the surface BSD ore stockpiles, results in a total combined updated Mineral Resource for the Black Swan Project of 28.9Mt averaging 0.77% Ni for 222kt of contained nickel. The updated Black Swan Project Mineral Resource is summarised in Table 2.

Table 2: Project Mineral Resource Inventory (June 2023)

Nickel Sulphide Resources	JORC Compliance	Cut Off Grade	BLACK SWAN PROJECT MINERAL RESOURCE SUMMARY												
			MEASURED & INDICATED			INFERRED			TOTAL						
			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	2012	0.4%	15,900	0.7	118,000	10,400	0.7	71,000	26,300	0.7	189,000	0.02	4,000	0.03	7,900
Silver Swan	2012	1.0%	138	9.0	12,450	8	6.0	490	146	8.8	12,940	0.2	240	0.4	530
Golden Swan	2012	1.0%	112	4.7	5,200	48	2.2	1,050	160	3.9	6,250	0.08	120	0.3	480
Silver Swan Tailings	2012	NA	675	0.9	6,200	-	-	-	675	0.9	6,200	0.07	460	0.04	270
Sub-Total Ni, Co, Cu Resources	2012		16,825	0.8	141,850	10,456	0.7	72,540	27,281	0.8	214,390	0.03	4,820	0.06	9,180
Stockpiles	2012	0.4%	1,200	0.5	5,900	400	0.5	1,900	1,600	0.5	7,800	NA	NA	NA	NA
Total Ni Resources	2012		18,025	0.8	147,750	10,856	0.7	74,440	28,881	0.8	222,190	-	-	-	-

Note: totals may not sum exactly due to rounding. NA = Information Not Available from reported resource model.

Conversion of Resources to Reserves for the BFS was contingent on feeding material types to the concentrator which are amenable to producing a smelter grade concentrate with an MgO content and Fe:MgO ratio that is suitable for potential offtake partners. Producing a conventional smelter grade concentrate limits the amount of combined Mineral Reserves that can be processed to the Measured and Indicated Resources of Silver Swan and Golden Swan and the serpentinite ore type in the BSD Measured and Indicated Resources which contain the appropriate lower MgO grades. The resulting Mineral Reserve for the 1.1Mtpa smelter grade concentrate project is presented in Table 3.

Table 3: Project Mineral Resource Inventory (June 2023)

JORC Compliance			Nickel Sulphide Reserves		
			Tonnes (Kt)	Ni% Grade	Ni Metal (kt)
BLACK SWAN PROJECT					
Black Swan Disseminated	2012	Proved	579	0.7	4.2
		Probable	2,608	0.7	17.7
Silver Swan	2012	Proved	-	-	-
		Probable	179	5.0	9.0
Golden Swan	2012	Proved			
		Probable	100	4.0	4.0
Total Ni Reserves	2012	Proved	579	0.7	4.2
		Probable	2,887	1.1	30.7
		Total	3,466	1.0	34.9

A key component of the study was the incorporation of the important metallurgical breakthrough made by the technical team in relation to the improved quality of the final concentrate product. This breakthrough involves blending the existing tailings from the Silver Swan underground mine with the ore mined from both the open pit and underground. The existing Silver Swan ball mill can be utilised to regrind the rougher concentrate prior to its conversion into a final product. These additional steps improve the quality of the final concentrate by reducing undesirable elements and increasing the nickel grade. A final high-grade concentrate of approximately 15% Ni, MgO content of less than 6% and an Fe:MgO ratio of 5:1 was demonstrated from locked-cycle flotation tests. A concentrate of this quality is appealing to conventional nickel smelters.

The results of metallurgical tests which reflect the concentrate specifications for the BFS are summarised in Table 4. Results presented are typical range for each test.

Table 4: Concentrate specifications

Element	Unit	BSD Only	BSD + 7.5% Silver Swan Tailings + 5% Silver Swan
Ni	%	17.1	15.0
Cu	%	0.6	0.6
Co	%	0.5	0.4
MgO	%	5.7	4.4
Fe	%	25.9	29.6
Fe:MgO	Ratio	4.5	6.7
As	ppm	3,400	3,800
S	%	38.4	36.2

Within the current proposed 1.1Mtpa restart pit outline, a significant portion of the BSD Mineral Resource has not been converted to Mineral Reserves due to metallurgical constraints to produce a saleable concentrate, if treated. The more magnesium rich resources that are not converted to reserves are subject to ongoing assessment in the Expansion Project 2.2Mtpa Feasibility Study to produce a rougher concentrate. If study findings are positive, it would potentially convert a larger amount of the BSD Resource to Reserves.

The BFS presents attractive economics assuming the Base Case economic assumptions of nickel price forward curves (as of 17th November 2022) for the initial operating period to December 2025, then a flat US$10.00/lb and AUD:USD$0.65 for the production period beyond this date. Forecast nickel price and foreign exchange rate used in the BFS by quarter are presented in Table 5.

Table 5: Base Case Economic Inputs

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Concentrate Production	kt	-	17.7	61.3	57.7	43.8	15.4
Nickel Price	US$/lb	12.15	12.58	12.18	10.00	10.00	10.00
AUD: USD rate	AUD: USD	0.68	0.68	0.68	0.70	0.70	0.70
Basis of assumption		Forward Curves[1]			Management Forecast[2]		

1. Nickel Price forward curves for 2023, 2024 and 2025 from LME website on close of Thursday 17th November 2022 inputted as Year 1, Year 2 and Year 3 respectively. AUD:USD forward curves inputted from an external source based on close of Thursday 17th November 2022.
2. Management estimate for period beyond forward curve inputs is US$10.00/lb nickel price and AUD:USD $0.70. Management has conservatively estimated these economic inputs based on expected nickel pricing to support the projected nickel demand over the medium term. Alternative upside nickel pricing scenarios have been considered based on positive outlook for nickel, see below.

Assuming Base Case nickel price and foreign exchange inputs, the economic outcomes for the BFS are presented in Table 6. The BFS is dated November 2022, economic outputs presented do not reflect any changes in the cost base for the project if the BFS were dated today. All economic outcomes are presented in Australian dollars unless specified otherwise.

Table 6: Base Case Pre-Tax Economic Evaluation Summary

Economic Outputs	Base Case
Revenue	$809M
Operating Costs	$483M
Pre-production Capital Expenditure	$50M
Net Cash Flow	$227M
Pre-tax NPV_8[1]	$167M
IRR	86%
Payback Period[2]	1.3 years
C1 Cash Cost[3]	US$4.56/lb
AISC Cash Cost[4]	US$4.90/lb
Average Ni price	US$10.73/lb
Average FX (USD/AUD)	0.69

1. NPV is based on real cash flow forecasts and represents value as at projected start date of concentrator refurbishment being 1 July 2023.
2. Period post completion of concentrator refurbishment.
3. C1 cash costs include operating cash costs including mining, processing, geology, OHSE, site G&A, concentrate transport, less by-product divided by nickel in concentrate produced (100% basis before smelter deductions). Excludes development and sustaining capex, pre-production costs and royalties.
4. AISC - C1 cash costs plus royalties and sustaining capital. Excludes development capital and preproduction costs

The study estimates a C1 unit cost of ~US$4.50/lb and All in Sustaining Cost of ~US$4.90/lb (Ni in concentrate before smelter deductions), as at November 2022. Breakeven costs for the project, being the cost at which a comparable nickel price generates nil cash flows, totals US$5.88/lb, or circa US$7.50/lb on a payable basis (assuming an average indicative nickel payability as per the BFS).

Alternative economic scenarios considered were the 'Spot Case', being the current nickel price and foreign exchange, and an 'Upside Case' which assumed a flat US$15.00/lb nickel price and flat AUD: USD $0.65. Both scenarios presented positive economic outcomes as presented in Table 7.

Table 7: Alternative Project Pre-Tax Economic Scenarios

Economic Outputs	Upside Case	Spot Ni Price & FX
Revenue	$1,207M	$919M
Operating Costs	$498M	$487M
Pre-production Capital Expenditure	$99M	$99M
Net Cash Flow	$610M	$333M
Pre-tax NPV_8[1]	$470M	$248M
IRR	188%	103%
Payback Period[2]	1.0 year	1.4 years
C1 Cash Cost[3]	US$4.36/lb	US$4.52/lb
AISC Cash Cost[4]	US$4.81/lb	US$4.89/lb
Average Ni price	US$15.0/lb	US$11.8/lb
Average FX (USD/AUD)	0.65	0.67

1. NPV is based on real cash flow forecasts and represents value as at projected start date of concentrator refurbishment being 1 July 2023.
2. Period post completion of concentrator refurbishment.
3. C1 cash costs include operating cash costs including mining, processing, geology, OHSE, site G&A, concentrate transport, less by-product divided by nickel in concentrate produced (100% basis before smelter deductions). Excludes development and sustaining capex, pre-production costs and royalties.
4. AISC - are C1 cash costs plus royalties and sustaining capital. Excludes development capital and preproduction costs.

Negotiations with potential offtake and debt financing partners for the Black Swan project commenced during FY2023. From an initial group of over thirty interested parties, two parties were selected to enter final stage negotiations and documentation drafting. In addition to an offtake agreement, these parties have offered project debt funding on favourable terms. These negotiations are currently on hold pending results from the additional metallurgical testwork being undertaken.

Project Metallurgy

The decision to defer the project restart was partly due to the need to complete further metallurgical testwork to confirm the non-sulphide nickel content in the Black Swan disseminated resource and the nickel metal recoveries used in the BFS.

The Black Swan MRE was updated by Golder in early June 2023 based on the assay results from a 112-hole RC program drilled from the base of the pit during FY2023. This drilling also identified a significant increase in the Non-Sulphide Nickel (NSNi) content within the modelled mineralised zones and a lower sulphur to nickel ratio (S:Ni ratio) in the Hangingwall zone. Follow-up work was conducted in June and July 2023 to verify the NSNi analyses from prior drilling campaigns, however this work was inconclusive due to the lack of NSNi assay data from the historical drilling programs and the differing NSNi assay methods used between laboratories. To confirm the metallurgical recoveries used in the BFS further test work was recommended utilising additional samples from diamond drill core to validate the recoveries across the disseminated orebody and confirm the concentrate quality with respect to the Fe:MgO ratio. This additional testwork is to be completed across two phases, as follows:

- Phase 1 –Existing diamond drill core intervals from previous holes drilled from the Gosling drive into the base of the Black Swan Resource were selected and sent to the laboratory to validate metallurgical recoveries. These samples represented the Main, Hangingwall and Footwall zones and provided spatial representation of the latter years of the BFS mine plan. The results from this testwork will provide information on the NSNi content and the nickel recovery for each ore zone with results expected by late October 2023. Interim assay results for the metallurgical composites sampled from diamond drill core available from the Gosling drilling program confirm the NSNi content is in line with the metallurgical samples utilised for the BFS which is a positive outcome.
- Phase 2 - The second phase involves selecting diamond core from the recent drilling program from the bottom of the Black Swan open pit. Confirmatory NSNi assays will be obtained and additional metallurgical samples selected and tested. This testwork program has commenced and expected to be completed during first quarter 2024.

Black Swan 2.2Mtpa Expansion Project Prefeasibility Study

The 2.2Mtpa Expansion Project prefeasibility study is underway and is on track to be completed in late 2023, subject to receiving confirmatory payabilities for the concentrate. Similar to the 1.1Mtpa smelter grade study, this study includes mining the underground massive sulphide material together with the serpentinite and talc carbonate ore types from the open pit to increase the processing volume of the plant to its nameplate capacity of 2.2Mtpa. While the inclusion of the talc carbonate material into the blend will produce a concentrate that is not suitable for a smelter, the lower grade “rougher” concentrate could be processed through a High-Pressure Acid Leach (HPAL) or Pressure Oxidation (POX) plant.

Samples of the rougher concentrate have been sent to potential customers to confirm its suitability for their hydrometallurgical processes (HPAL or POX circuits) and engagement with these potential customers is continuing.

Operational and Restart Activities

The Black Swan Project continued to be operated on a care and maintenance basis with no mining or processing activities taking place. Several activities were undertaken over the year to progress towards a restart of the project.

The Black Swan open pit was dewatered over several months during FY2023. This served a dual purpose, ensuring the pit was ready for mining activities to take place once the Company makes a final investment decision and providing access for further resource drilling to occur at its base. A Reverse Circulation (RC) drilling program was conducted over the fiscal year to both infill and update the confidence levels of the Mineral Resource, with a diamond drilling program completed post fiscal year end.

The RC drilling program conducted in FY2023 delivered an updated Mineral Resource Estimate of 26.3Mt at 0.72% nickel for 189kt contained nickel. Further details of the drilling program can be found in the exploration section of this report.

The diamond drilling program was undertaken at the base of the Black Swan Open Pit in August 2023 to assess the non-sulphide nickel content and confirm the metallurgical recovery assumptions of the open pit disseminated ore.

An additional diamond drilling campaign was conducted in the Silver Swan underground mine in August 2023 to follow-up a priority exploration target identified by the Company in conjunction with geological consultants Newexco. The results of this drilling campaign are detailed in the exploration section of this report.

Western Power was engaged to conduct a study to provide grid power to the Black Swan site. They have indicated that grid power will be available from late 2024 onwards. Environmental works and mining proposal approvals were applied for and received over the fiscal year.

In relation to the accommodation of the proposed FIFO workforce the Company remains in discussions with a provider for an option over 150 rooms at a mining camp in Kalgoorlie.

Other activities on site include maintaining both the ventilation and escapeways systems of the Silver Swan underground mine and pumping to prevent flooding of the decline. All monitoring and reporting activities were completed, in line with regulatory requirements. There were no lost time injuries (LTIs) or any other significant incidents during the year at Black Swan.

Figure 1: Dewatered Open Pit and Black Swan RC Drilling

Figure 2: Maggie Hays West Drill Line, 82 700N Local Grid Looking to the West Showing the Recent Drilling to Maggie Hays Tailings Dam in Background

Lake Johnston Nickel Project

The Lake Johnston project has continued to be managed under a care and maintenance regime.

A shallow air core (AC) and reverse circulation (RC) drilling campaign was conducted to delineate 14km of interpreted overturned basal contact of the Western Ultramafic Unit (WUU) during the year. The results of the exploration campaign are discussed in more detail in the exploration section of this report. There were no lost time injuries (LTI's) or any other significant incidents during the year at Lake Johnston.

A site compliance inspection was conducted during FY2023 by representatives of the environmental division of the Department of Mines, Industry Regulation and Safety (DMIRS). The inspection noted an excessive amount of dust being generated from the existing tailings facility as well as some minor action items. Activities are planned over FY2024 to address the action items raised by DMIRS with the main one being the application of a special purpose binder to reduce the dust from the tailings facility.

Windarra Nickel Project and Gold Tailings

Windarra operations were also managed on care and maintenance throughout the year with no exploration activities.

There were no lost time injuries (LTI's) or any other significant incidents during the year at Windarra.

Windarra Gold Tailings Project

In 2021, a Definitivie Feasibility Study was undertaken on the Windarra Gold Tailings Project. The results of the study were positive, and the Company opted to find a partner to develop the project so that the Company's focus could remain on the nickel assets.

After undergoing a process in 2022 to find a partner, an offer by Green Gold Projects Pte Ltd (Green Gold) was accepted to farm into the project and a Binding Heads of Agreement was signed. The sale was subject to the following Conditions Precedent:

- Metallurgical testwork performed by Green Gold on the Windarra and Lancefield Tailings to determine if its patented technology can improve gold recovery;
- Obtaining consent to assign Poseidon's rights and obligations under the Right to Treat Agreement in respect of the Lancefield tailings to Green Gold; and
- Green Gold receiving Foreign Investment Review Board and any other necessary approvals, if required.

The Binding Heads of Agreement was terminated in July 2023 after Green Gold advised that one of the Conditions Precedent was not satisfied. While it is disappointing that Green Gold did not progress with the Windarra gold tailings project, a regional resources company has expressed a strong interest in processing the Lancefield gold tailings and potentially the Windarra gold tailings along with accessing the considerable water resource in the South Windarra pit. Indicative terms were presented by the interested party with data being exchanged and a formal Term Sheet being negotiated.

Separately a value accretive opportunity is being investigated by the Company's technical team to include the nickel tailings of the Windarra Central Tailings Dam with the Windarra Gold Tailings Project. This opportunity involves processing the nickel tailings in a similar manner to that envisaged for the gold tailings. Only minor changes and low additional capital would be required to convert the gold tailings processing plant to process the nickel tailings. The addition of the nickel tailings to extend the project mine life is a positive development that is being investigated further.

Exploration

Overview

The Company's exploration and geology team conducted drilling programs at both the Black Swan and Lake Johnston projects over FY2023, while at Windarra a detailed geological review was undertaken by our geological consultants, Newexco. The team is excited by the early stage results of the Lake Johnston drilling where a significant number of follow-up targets have been identified. Lake Johnston will become the exploration focus over the coming year.

Resource definition drilling was undertaken as part of the Black Swan Bankable Feasibility Study (BFS) to improve confidence in mineral resource categories and further define ore boundaries and the metallurgical characteristics, with the Black Swan Mineral Resource Update resulting in a positive uplift in both the average nickel grade and tonnes of contained nickel.

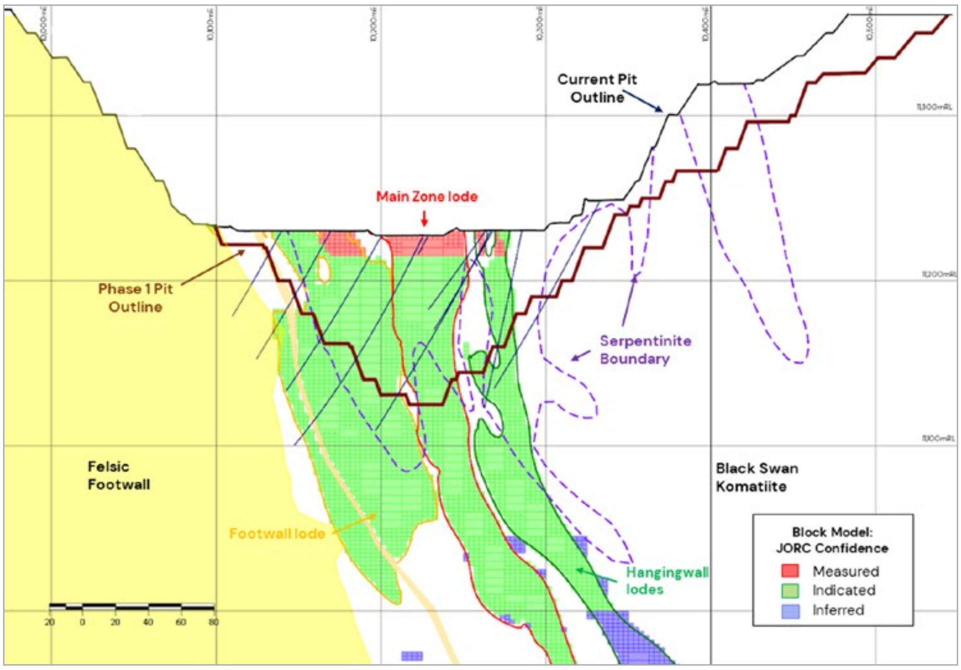


Figure 3: Schematic Black Swan Geological cross section 11,280 N showing mineral resource categories

Black Swan Nickel Project

Black Swan Open Pit

Between December 2022 and February 2023, Poseidon completed a 11,000 metre, 112-hole reverse circulation drill program from the base of the Black Swan open pit. The aims of the program were:

- to increase the amount of Measured and Indicated categories contained within the mineral resources inside the proposed Stage 1 and 2 Black Swan pit designs, thereby enabling their conversion to Ore Reserves and optimisation of the mine design and production schedule.
- improve delineation of the metallurgically important serpentinite and talc-carbonate ore types within the proposed pit designs and improve the understanding of the respective characteristics of these different ore types by measuring the talc and non-sulphide nickel contents as well as sulphur/nickel ratios.
- provide additional material for ongoing metallurgical testwork encompassing the Black Swan Expansion Study.

The drilling achieved the desired outcomes and resulted in the delivery of an updated Black Swan Mineral Resource Estimate (MRE) of 26.3Mt at 0.72% nickel for 189,000 tonnes of contained nickel. Compared to the previous 2022 MRE the 2023 MRE resulted in:

- a 48% increase in the Measured and Indicated JORC Resource Categories; and
- a 14% increase in the average nickel grade, resulting in an additional 8,000 tonnes of contained nickel.

Table 8 Comparison between 2023 MRE and 2022 MRE at 0.4% Ni cut-off

	2023			2022		
	Tonnage (mt)	Ni (%)	Ni (kt)	Tonnage (mt)	Ni (%)	Ni (kt)
Measured	0.8	0.8	7	0.8	0.8	6
Indicated	15.1	0.7	111	9.9	0.8	74
Inferred	10.4	0.7	71	18.2	0.6	101
Total	26.3	0.7	189	28.9	0.6	181

Totals may not add due to rounding to appropriate reporting precision.

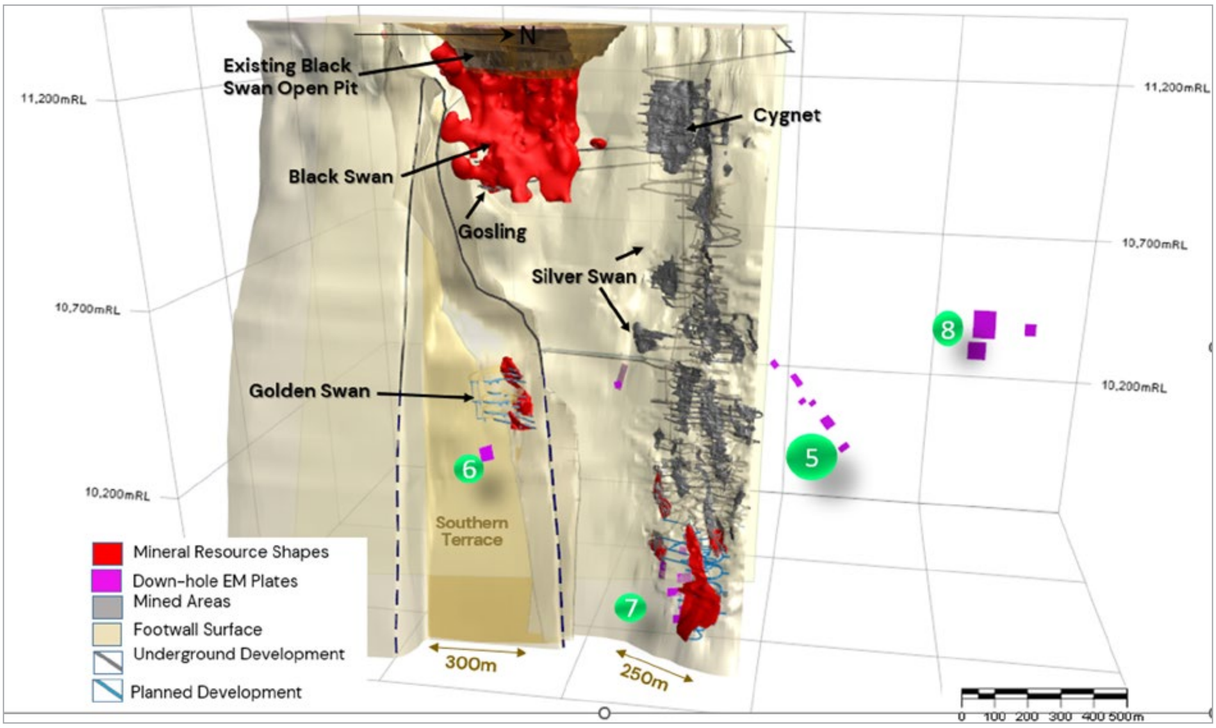


Figure 4: Priority Drilling Targets in the vicinity of the high-grade Silver Swan Channel

Silver Swan Underground

A thorough review of all the historical drilling and electro-magnetic (EM) surveys by the exploration team in conjunction with geological consultants Newexco identified a number of exploration targets across the project with several of these in the vicinity of the high-grade Silver Swan channel that warranted follow up (Figure 4).

Target 5 was identified as a high priority target by Newexco based on a series of historical unexplained electromagnetic anomalies located to the north of the high-grade Silver Swan channel, approximately 1,000 metres below surface as indicated in Figure 4. The anomalies were identified from a down-hole EM (DHEM) survey completed in 2008 using the Black Swan surface EM loop.

To test Target 5, a 400-metre hole was drilled from the Silver Swan decline northwards towards the anomalies. In addition, an historical drill hole located within 330 vertical metres of the anomalies was reopened to allow an EM survey to be conducted. No mineralisation was intersected in the new drill hole and DHEM surveys performed on both holes utilising the new underground EM loop failed to replicate the historical anomalies and consequently downgraded the target.

Despite these results the new hole did identify a potential embayment/re-entrant like feature in the footwall contact, similar to both Gosling and Golden Swan which has the potential to host similar mineralised bodies. Further geological assessment of this area will be undertaken.

Additional geological reviews on the other identified targets at the project will also be undertaken in due course.

Lake Johnston Nickel Project

In May 2023, the Company completed an initial program of shallow air core and reverse circulation drilling designed to delineate and test a 14km section of the interpreted overturned basal contact of the Western Ultramafic Unit (WUU). The drilling highlighted the nickel sulphide prospectivity of the WUU by identifying significant Ni:Cu:PGE anomalism in the weathered profile as well as cumulate textured, channel facies ultramafic rocks at various locations along the WUU. Given the prospectivity of these targets, further testing of these areas will form the priority for the coming year.

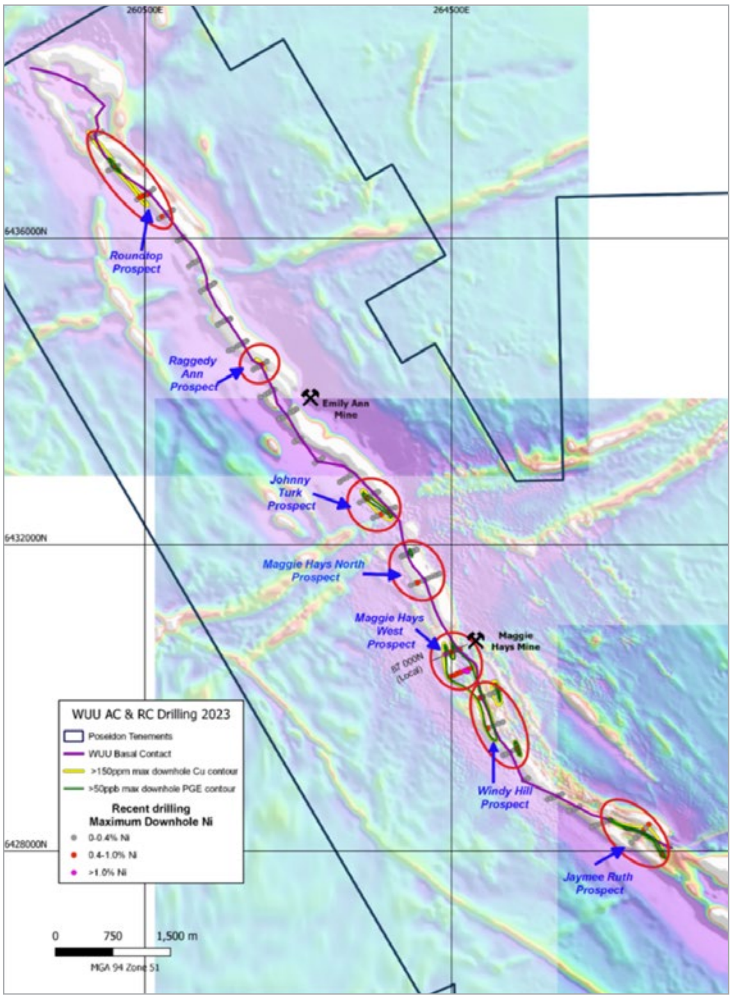


Figure 5: Drill hole location Plan of the recent drilling at Lake Johnston showing the maximum down hole Ni and coincident greater than 150ppm Cu and greater than 50ppb combined PGE contouring.

Maggie Hays West

One area of particular interest identified by the May 2023 program is Maggie Hays West, located 350m to the west of the former Maggie Hays Mine (12.3Mt mined at an average grade of 1.5% Ni). Shallow drilling in this area identified several positive indicators for nickel sulphide mineralisation on the basal contact of the WUU including:

- significant Ni:Cu:PGE regolith anomalism up dip from several isolated historical nickel sulphide drill intersections, refer Figures 6 and 7;
- a thickening of the WUU to approximately 400 metres with MgO values and Ni:Cr ratios in fresh rock near the basal contact averaging 37% and 4.3 respectively, indicative of channel facies ultramafic cumulate rocks; and
- the coincident development of a potential embayed footwall channel-like feature with a strong magnetic anomaly.

All of these factors combined provide a compelling, high priority target for the Company to follow up.

A follow-up program of air core and reverse circulation drilling at Maggie Hays West commenced in October 2023 which will also extend to six other prospects. At Maggie Hay West the new holes will be spaced on 100m sections to further define the position and geochemical anomalism of the interpreted basal contact embayment feature. The drilling will provide further information on the morphology of this highly prospective area prior to undertaking deeper targeted drilling.

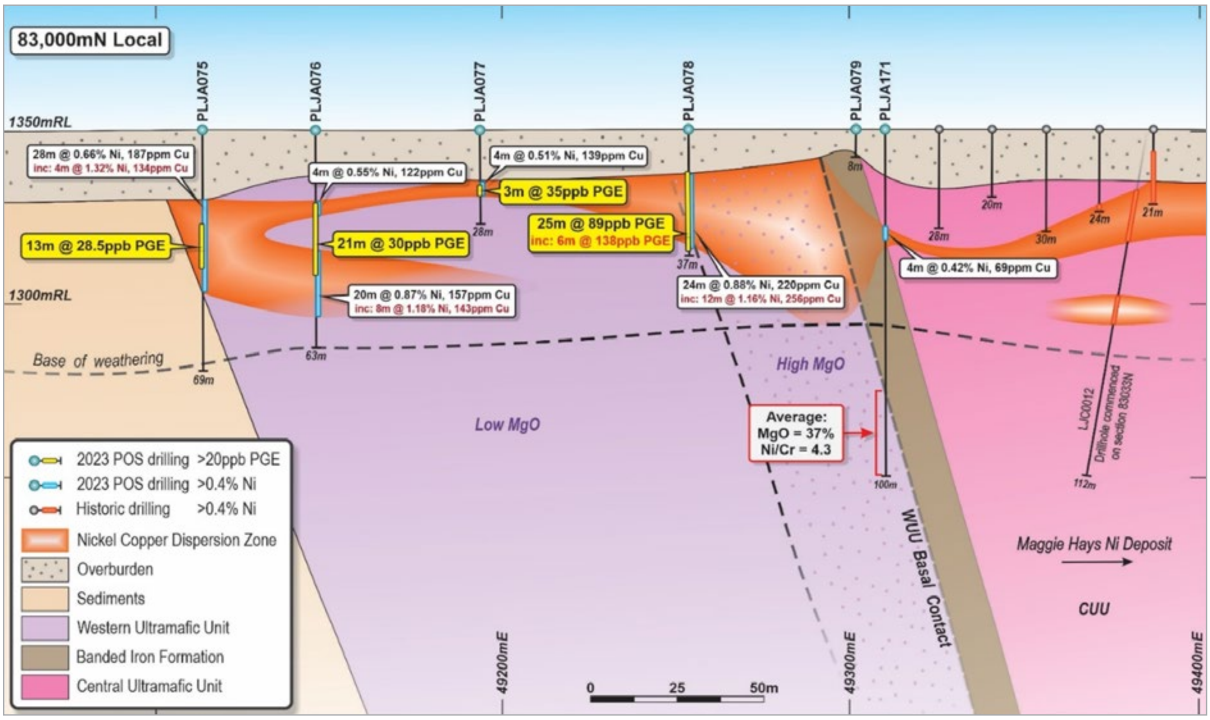


Figure 6: Maggie Hays West – Section 83 000 (local Grid) showing coincident combined Pt and Pd results from 1-metre resampling of > 0.4% Ni intersections and high MgO basal flow.

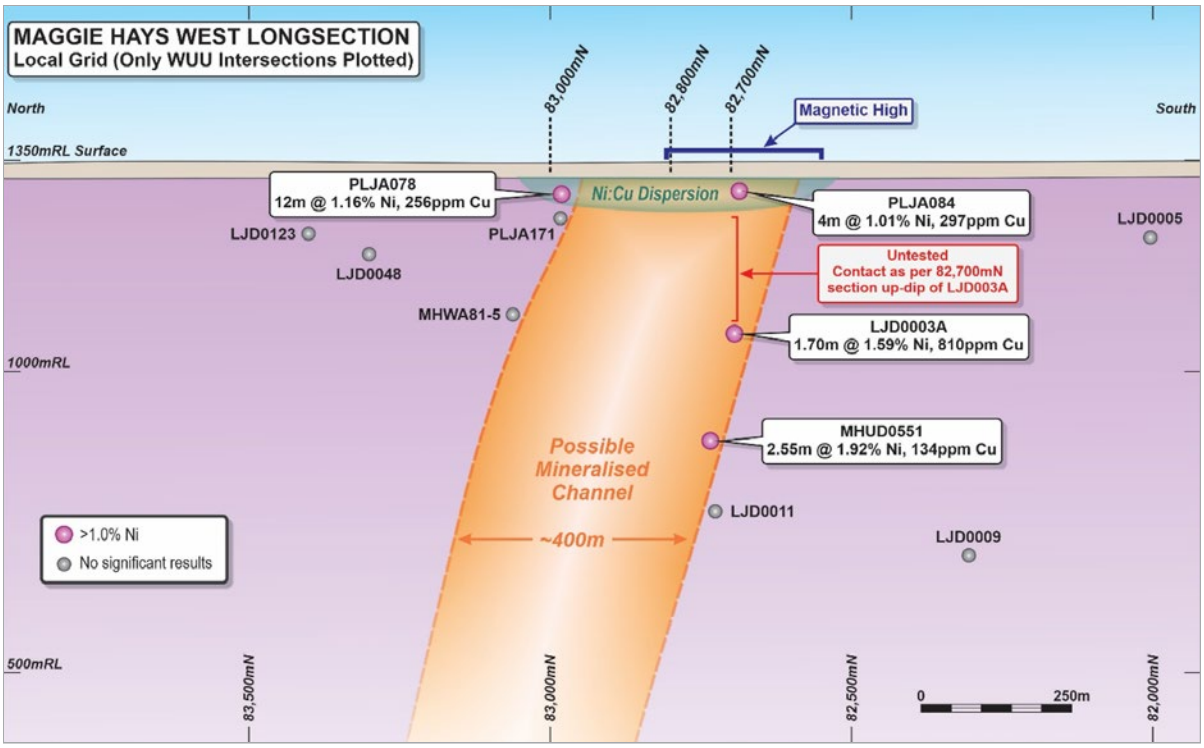
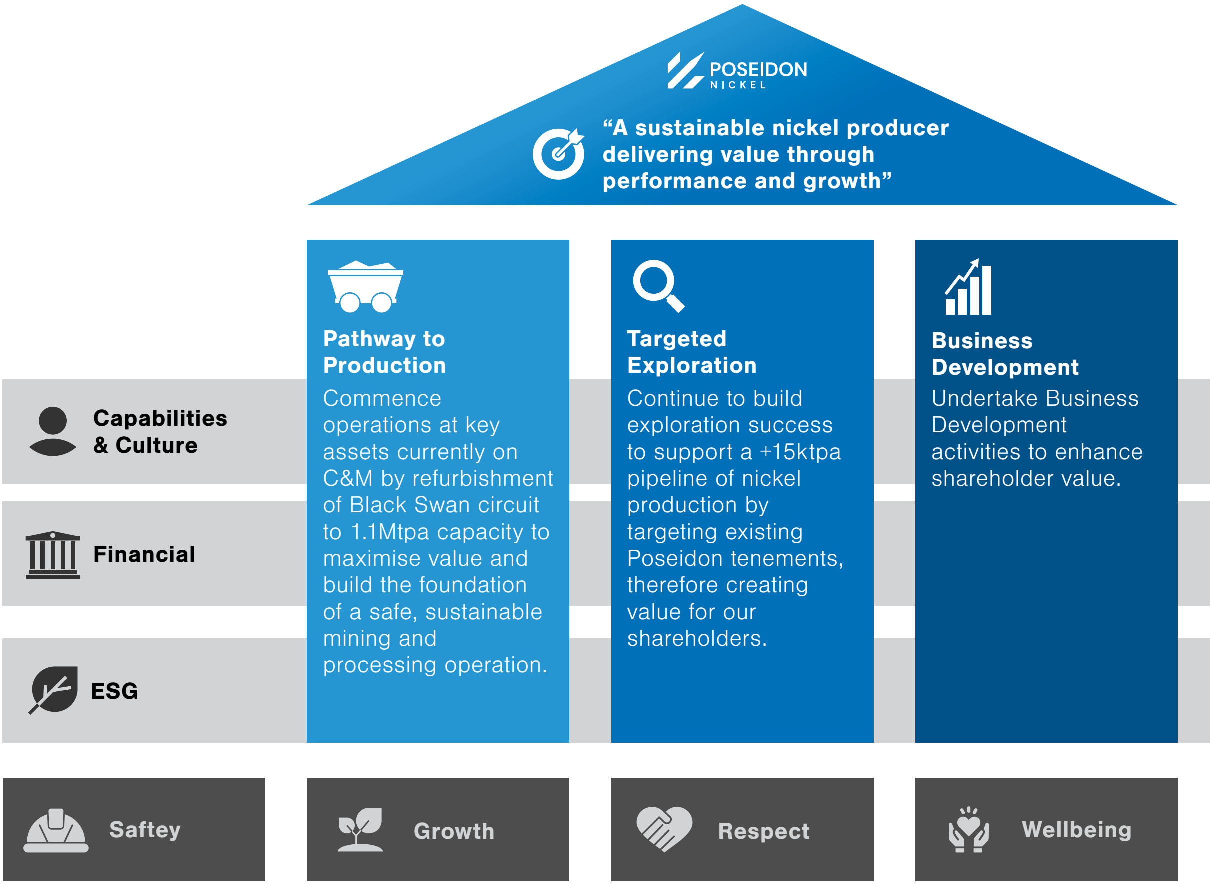


Figure 7 Maggie Hays West long section with WUU basal contact intercepts plotted only. Note the inferred mineralised channel opportunity is largely untested.

Windarra Nickel Project

Due to the focus on Black Swan and Lake Johnston no exploration drilling was undertaken at Windarra during FY2023. A full review of all the geological data from the extensive Windarra database was conducted by Newexco. This review is expected to be delivered in the first half of FY2024.

Existing nickel resources at Mount Windarra and Cerberus total 150,000 tonnes contained nickel averaging over 1.5% Ni. The Company has undertaken internal studies on mining and trucking Windarra ore to Black Swan using the nickel price assumptions from the Black Swan November 2022 Feasibility Study. Additional nickel sulphide discoveries could further support transporting Windarra ore to Black Swan.



Strategy

Strategically Important Nickel Assets in Western Australia

The Company’s strategy is to leverage its significant nickel resources and infrastructure assets to build Poseidon into a sustainable nickel producer delivering value through performance and growth. The release of the Black Swan Bankable Feasibility Study (BFS) was a key milestone achieved during FY2023 toward achieving our vision. The restart of Black Swan remains our current pathway to production however the prevailing nickel price environment does not support project commencement. With this in mind, and until the nickel price outlook improves, the board and management are currently shifting focus to our other strategic pillars being targeted exploration and proximal business development opportunities to drive value for shareholders.

Poseidon owns three strategically significant nickel assets in Western Australia. With combined resources of over 400kt of nickel and processing capacity of up to 3.7Mtpa of ore to produce nickel concentrate, the Company’s business strategy is focussed on leveraging its existing asset base to evolve Poseidon into a significant nickel producer. Our strategic pillars, summarised in the Company’s strategy framework, are:

- developing a pathway to production;
- targeted exploration across our nickel asset portfolio; and
- considering proximal business development opportunities.

In line with our stated corporate goals the pathway to production remains to restart Black Swan in the right nickel price environment. Significant progress was made during FY2023 toward the restart of the project, including the release of the BFS however a number of workstreams remain outstanding, in particular confirmation of metallurgical recoveries. Following the end of FY2023, the Company made the prudent decision to defer the Black Swan restart, particularly in light of a falling nickel price environment and challenging period for equity markets.

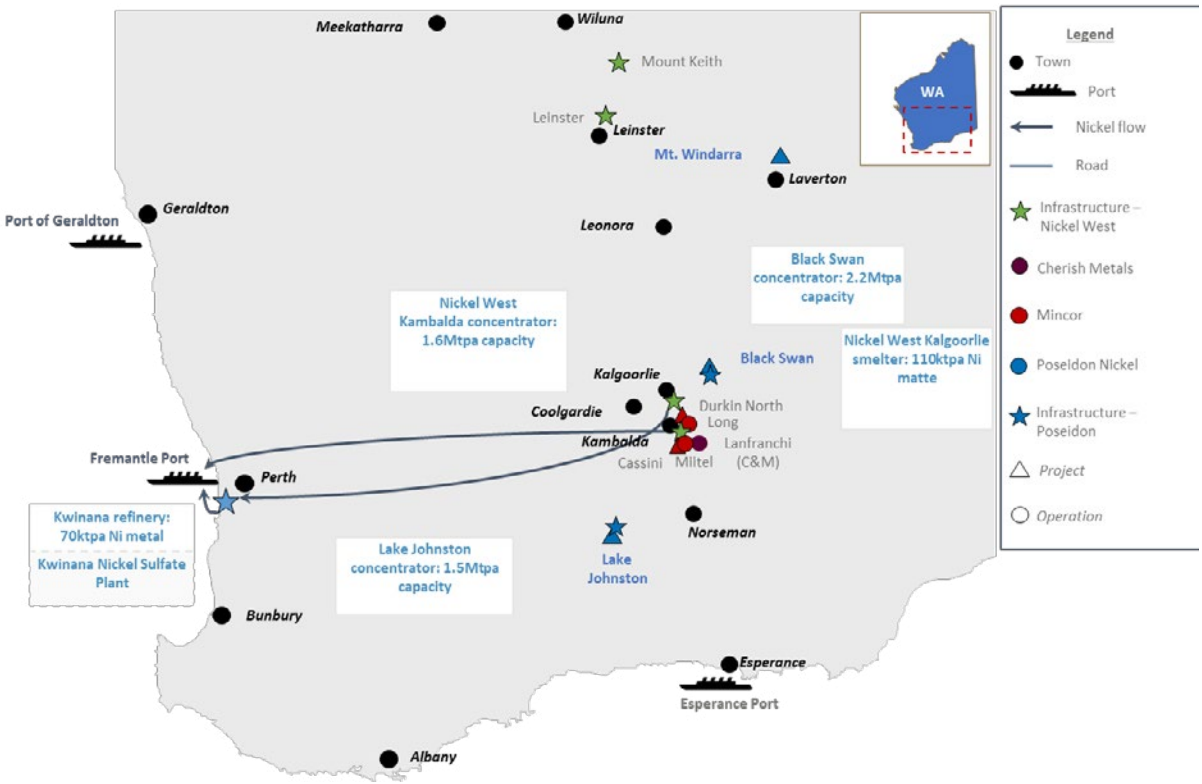
As the Company continues to progress a number of workstreams on the restart across FY2024, the Company will continue to assess the near-term nickel price outlook and consider the restart at a time when Black Swan can deliver positive economic outputs and support an appropriate level of debt funding. In addition, the Company continues to progress the Black Swan 2.2Mtpa Expansion Project with the Pre-Feasibility Study expected to be completed late 2023 (subject to receiving indicative nickel payabilities).

Following the deferral of the Black Swan restart the Company has shifted focus toward targeted exploration and assessing business development opportunities. With positive exploration results at Lake Johnston during FY2023 the Company has commenced the next phase of drilling at the project to further delineate targets along the Western Ultramafic Unit and at Maggies Hays West. The drilling will provide additional valuable information on the morphology of these highly prospective targets prior to undertaking deeper drilling. In addition, a review of exploration targets at Black Swan and completion of Newexco's targeting report for Windarra will assist with prioritising exploration activities at these two projects.

Business development opportunities exist across our nickel asset portfolio with a number of proximal resource companies showing interest in entering partnerships for mutual benefits on each of our projects.

BHP's Nickel West operations and Poseidon Nickel are the only owners of nickel sulphide concentrators in the Kambalda region of Western Australia, providing Poseidon with two strategically located assets with Black Swan and Lake Johnston. These two projects are proximal to nickel miners, developers and explorers who could partner with Poseidon to process their resources rather than construct their own infrastructure. The Company is currently in discussions with several parties on potential partnerships involving these two assets.

In addition, the Windarra project nickel resources, gold tailings project and water resource in the South Windarra open pit received interest from a number of parties in the Laverton region. Discussions are continuing with interested parties regarding partnership opportunities for the Windarra project.



ENVIRONMENTAL, SOCIAL & GOVERNANCE

During FY2023 Poseidon continued to be proactive in embedding environment, social and governance (ESG) considerations into its operating practices, particularly within the Black Swan Bankable Feasibility Study (BFS). Further enhancing our ESG focus, a highly reputable ESG consultant was engaged to review the ESG credentials of the BFS and the wider business. This review was completed by RPM Global during the second half of FY2023.

The BFS maintained an ESG focus to ensure the proposed nickel concentrate production would meet the expectations of our stakeholders. Our ESG framework focuses on achieving identifiable benefits to the environment, social and governance elements by delivering real benefits to all Black Swan stakeholders.

The Company's formal ESG policy and framework is aligned with the Minerals Council of Australia Enduring Value framework, the United Nations Sustainable Development Goals and the recommendations of the Taskforce on Climate related Financial Disclosures. RPM Global's review noted Poseidon has adopted relevant ESG frameworks and developed an appropriate action plan for its corporate and Black Swan operations to align with those frameworks.

While progressing the BFS and pre-production works for Black Swan the following ESG initiatives were advanced:

- Western Power confirmed sufficient grid power allocation to support the restart of Black Swan. Western Power has commenced engineering and design studies with allocated power supply expected to be available late 2024 following a number of infrastructure upgrades on the Black Flag distribution lines. RPM Global's assessment of the use of grid power determined a 77,500tCO_2-e carbon emission benefit over the life of the project compared to diesel generated power.
- Mining approval was received for retreatment of the Silver Swan tailings. Blending this material with disseminated ore produces a saleable concentrate from material that would otherwise be considered mineralised waste.
- Completed a review of the heritage site register and completed a heritage survey at Lake Johnston prior to undertaking the drilling program along the Western Ultramafic Unit.
- Commenced discussions with the owner of a nearby gold production facility to potentially treat the Lancefield and Windarra gold tailings, reducing the environmental impact footprint of this project compared to building a processing facility at Windarra.
- Entered into a collaboration arrangement with Canadian company ARCA to undertake a desktop study assessing the potential for carbon sequestration within the ultramafic tailings of either Lake Johnston or Black Swan.

Whilst the Black Swan restart has been deferred, Poseidon continues to assess opportunities to implement ESG benefits into the project. An important element for the Project remains selecting reputable contractors whose policies and procedures are aligned with the Company's ESG expectations, including in relation to environmental management, safety, social engagement, diversity and indigenous relations.

The RPM Global review of the BFS report identified the following recommendations:

- Continue development and implementation of the Company ESG framework and incorporate sustainability reporting into the Company's internal and external reporting;
- Develop an ESG execution plan for the Black Swan restart and ensure appropriate resources are employed to achieve ESG initiatives identified in the BFS;
- As reported in the BFS, implement processes to ensure contractors align with Poseidon's ESG policies and procedures and operate with the best interest of our stakeholders;
- Identify opportunities, where practicable, to reduce project greenhouse emissions from larger sources, namely haul and load in mining, and grinding, crushing and flotation in processing; and
- Continue to progress industry best practice mine closure planning.

Moving into FY2024 the Company is focused on ensuring our ESG framework, policies and procedures are sufficiently developed to assist the Black Swan restart when the nickel price environment supports project commencement. In the meantime, the Company will continue to embed ESG considerations into all parts of the business with an aim to deliver value for all stakeholders.

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 2023 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 Derek La Ferla **Independent Non-Executive Chairman** *Member of:* Audit & Risk Committee *Chairman of:* Remuneration, Nomination & Diversity Committee Appointed 1 December 2019	Mr La Ferla is a corporate lawyer and company director with more than 30 years' experience. He has held senior leadership positions with some of Australia's leading law firms and a variety of board positions with listed public companies and not for profit organisations. Mr La Ferla is currently the Non-Executive Chairman of ASX-listed company Chalice Mining Ltd and until recently was the Non-Executive Chair of Sandfire Resources Ltd. Mr La Ferla is also the founder and Chair of Green Peak Energy, a private renewables energy company with a majority interest held by North Canadian Infrastructure Fund CBRE Calledon. During the previous three years he has served as a director for Threat Protect Australia Ltd (September 2015 to September 2021), BNK Banking Corporation Ltd (November 2015 to August 2019) and Sandfire Resources Ltd (May 2010 to July 2022). Mr La Ferla is a fellow of the Australian Institute of Company Directors and the WA Division Director on the AICD National Board and a member of the AICD Council (WA Division). Mr La Ferla will retire from his role on the Board effective 27 October 2023.
Mr Peter Harold **Managing Director & CEO** Appointed 3 March 2020	Mr Harold is a process engineer with over 30 years' corporate experience in the minerals industry, specialising in financing, marketing, business development and general corporate activities. Mr Harold was previously the Managing Director of Panoramic Resources Ltd, a company he co-founded in 2001. Mr Harold has extensive experience in base metal mining project feasibility studies, financings, developments, operations and marketing. Mr Harold is currently the Non-Executive Chairman of ASX listed company Rare Foods Australia Ltd and during the previous three years has served as a director of Panoramic Resources Ltd (March 2001 to November 2019), Pacifico Minerals Ltd (now Boab Minerals Ltd) (August 2013 to April 2020) and Horizon Gold Ltd (August 2016 to November 2019). Mr Harold will transition from the role of Managing Director and CEO effective 2 October 2023 and will commence in the role of Non-Executive Chairman effective 27 October 2023.

1. Directors (continued)

Name, and independence status	Experience, qualifications, special responsibilities and other directorships
Mr Dean Hildebrand **Non-Executive Director** *Member of:* Remuneration, Nomination & Diversity Committee *Chairman of:* Audit & Risk Committee Appointed 1 July 2020	Mr Hildebrand is a corporate finance and investment professional with experience in capital markets, mergers and acquisitions, and project financing and development within the natural resources sectors. Mr Hildebrand currently manages a large investment fund invested across multiple sectors including natural resources. Mr Hildebrand has a Bachelor of Commerce from the University of Western Australia. During the past three years, Mr Hildebrand has not served as a director of any other ASX listed company. Mr Hildebrand will retire from his role on the Board effective 27 October 2023.
Mr Peter Muccilli **Independent Non-Executive Director** *Member of:* Audit & Risk Committee and Remuneration, Nomination & Diversity Committee Appointed 3 August 2020	Mr Muccilli is a qualified geologist with over 30 years of extensive exploration, development and operations experience in the resources sector, particularly nickel, gold, zinc and lead. Mr Muccilli previously held key executive roles at Mincor Resources NL. During his 15 years at Mincor, Mr Muccilli led the exploration team responsible for much of Mincor's nickel exploration success, including the higher grade greenfield Cassini discovery. Mr Muccilli is currently the Technical Director of ASX listed company Constellation Resources Ltd and during the previous three years has not served as a director of any other ASX listed company.
Mr Warren Hallam **Independent Non-Executive Director** *Member of:* Audit & Risk Committee and Remuneration, Nomination & Diversity Committee Appointed 1 June 2022	Mr Hallam is a highly experienced metallurgist and mineral economist with extensive operational and executive experience and expertise in financing, developing and operating of base metal and gold projects within Australia. Mr Hallam has considerable technical, managerial and financial experience across a broad range of commodities including copper, nickel, tin, gold and iron ore and has held numerous board and senior executive positions within the resources sector. Mr Hallam is currently the chairman of Kingfisher Mining Ltd and a director of Essential Minerals Ltd and St Barbara Ltd. During the previous three years Mr Hallam has served as Chairman of NiCo Resources Ltd (April 2021 to March 2023), Managing Director of Millennium Minerals Ltd (August 2019 to May 2020) and Chairman of Nelson Resources Ltd (February 2019 to May 2022). Mr Hallam has a Bachelor of Applied Science in Metallurgy, a Master of Science in Mineral Economics, and a Graduate Diploma of Business.

2. Company Secretary (Joint)

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 experience in corporate finance, accounting, risk management and business development, predominately within the mining and mining services industries.

Ms Andrea Betti was appointed Joint Company Secretary effective from 4 November 2019. Ms Betti is an accounting and corporate governance professional with over 20 years' experience in accounting, corporate governance, finance and corporate banking. Ms Betti is a Chartered Accountant and an associate member of the Governance Institute of Australia.

3. Directors' Meetings

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

Director	Board Meetings*		Audit and Risk Committee Meetings		Remuneration, Nomination and Diversity Committee Meetings	
	A	B	A	B	A	B
Mr D La Ferla	8	8	2	2	2	2
Mr P Harold	8	8	2	2	2	2
Mr D Hildebrand	8	8	2	2	2	2
Mr P Muccilli	8	8	2	2	2	2
Mr W Hallam	8	8	2	2	2	2

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

4. Principal Activities

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

5. Consolidated Results

The consolidated loss for the Group for the year ended 30 June 2023, after income tax is $11,338,000 (2022: $11,709,000).

6. Operating and Financial Review

Overview

Poseidon Nickel Limited (Poseidon or the Company) is an ASX listed company focussed on developing its nickel assets in Western Australia. The Company has combined nickel resources of over 400,000 tonnes of contained metal, two nickel sulphide concentrators and six historic mines across three sites, all located within a 300km radius from Kalgoorlie in the Goldfields region of Western Australia. All three sites remained on care and maintenance (C&M) over FY 2023.

During the year the Company made solid progress towards the restart of the Black Swan project with the completion of the 1.1Mtpa Black Swan Bankable Feasibility Study (BFS) while continuing to progress the 2.2Mtpa Black Swan Expansion Project Feasibility Study. Upon completion of the resource drilling program undertaken at Black Swan during the year, an updated Mineral Resource Estimate (MRE) was delivered with an additional 48% of contained nickel included in the Measured and Indicated categories.

6. Operating and Financial Review (continued)

At Lake Johnston, an initial drill program was undertaken along the defined Western Ultramafic Unit which identified multiple zones of anomalous nickel while at Windarra the Company is negotiating terms for the gold tailings treatment and water access with a local resources company.

During the year the Company raised $6.0 million (before costs) through a placement of ordinary shares to new and existing institutional, professional and sophisticated investors and raised a further $6.0 million under a share purchase plan. The Company ended the year with $5.7 million cash and cash equivalents.

Projects - Black Swan

The Black Swan Nickel Project is located 55km north-east of Kalgoorlie. Acquired from Norilsk in March 2015, the operations include the Silver Swan underground mine, Black Swan open pit, a 2.2Mtpa nickel sulphide concentrator and associated infrastructure. The operations at Black Swan remained on care and maintenance during the year.

1.1Mtpa Black Swan Bankable Feasibility Study

In November 2022 the Company reached a significant milestone with the completion and release of the 1.1Mtpa Black Swan BFS. This project will produce a smelter grade concentrate from ore mined from the Black Swan Disseminated open pit (serpentinite ore only), Silver Swan and Golden Swan high-grade underground mines, supplemented with Silver Swan Tailings and existing surface stockpiles (disseminated serpentinite material) and will be processed through the existing concentrator and associated infrastructure. The total mine inventory is presented in Table 1.

TABLE 1: MINING INVENTORY FEED SOURCES TO PROCESSING FACILITY

Feed Source	JORC Compliance	Feed Tonnage (Mt)	Nickel Grade	Contained Nickel (kt)
Black Swan Disseminated	Proved & Probable Reserves	3.3	0.7%	22.1
Silver Swan		0.2	5.0%	9.0
Golden Swan		0.1	4.0%	4.0
Feed Source from Ore Reserve		**3.6**	**1.0%**	**35.1**
Silver Swan Tailings	Measured Resource	0.4	0.9%	3.2
Existing Surface Stockpiles	Indicated Resource	0.6	0.5%	3.2
Existing Surface Stockpiles	Inferred Resource	0.4	0.5%	2.0
Feed Source from Mineral Resources		**1.4**	**0.6%**	**8.4**
Total feed sources[1]		**5.0**	**0.9%**	**43.5**

1. *Rounding of numbers may result in slight differences in calculated and cumulative numbers.*

The study is based on refurbishing and operating the existing 2.2Mtpa processing capacity plant at a processing rate of 1.1Mtpa to align with the available processing mine inventory of 5.0Mt, presenting a post development project life of four years. Plant refurbishment and mine development works are expected to take about 11 months.

6. Operating and Financial Review (continued)

Over the life of the project, the Black Swan Project will produce 200kt of smelter grade concentrate with an average nickel grade of 15%. With processing feed sources containing 43.5kt nickel and an average metal recovery of 68%, the project produces ~30kt nickel in concentrate.

Following completion of the drilling program undertaken between December 2022 and February 2023 from within the confines of the Black Swan open pit, an updated Black Swan Project Mineral Resource Estimate (MRE) was released in June 2023 that replaces the previous MRE completed in July 2022. The updated MRE has resulted in:

- 48% increase in the contained nickel in the Measured and Indicated JORC Resource categories;
- 14% increase in the average nickel grade; and
- 8,000 tonne increase in total contained nickel

Mineral Resource updates following the resource drilling of the BSD, Silver Swan and Golden Swan resources, the release of the Maiden Resource for the Silver Swan Tailings, plus the inclusion of the surface BSD ore stockpiles, results in a total combined updated Mineral Resource for the Black Swan Project of 28.9Mt averaging 0.77% Ni for 222kt of contained nickel. The updated Black Swan Project Mineral Resource is summarised in Table 2.

Table 2: Black Swan Project Mineral Resource Inventory (June 2023)

Nickel Sulphide Resources	JORC Compliance	Cut Off Grade	BLACK SWAN PROJECT MINERAL RESOURCE SUMMARY												
			MEASURED & INDICATED			INFERRED			TOTAL						
			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	2012	0.4%	15,900	0.74	118,000	10,400	0.69	71,000	26,300	0.72	189,000	0.02	4,000	0.03	7,900
Silver Swan	2012	1.0%	138	9.00	12,450	8	6.00	490	146	8.80	12,940	0.16	240	0.36	530
Golden Swan	2012	1.0%	112	4.70	5,200	48	2.20	1,050	160	3.90	6,250	0.08	120	0.30	480
Silver Swan Tailings	2012	NA	675	0.92	6,200	-	-	-	675	0.92	6,200	0.07	460	0.04	270
Sub-Total Ni, Co, Cu Resources	2012		**16,825**	**0.84**	**141,850**	**10,456**	**0.69**	**72,540**	**27,281**	**0.79**	**214,390**	**0.03**	**4,820**	**0.06**	**9,180**
Stockpiles	2012	0.4%	1,200	0.49	5,900	400	0.53	1,900	1,600	0.50	7,800	NA	NA	NA	NA
Total Ni Resources	2012		**18,025**	**0.82**	**147,750**	**10,856**	**0.69**	**74,440**	**28,881**	**0.77**	**222,190**	-	-	-	-

Note: totals may not sum exactly due to rounding. NA = Information Not Available from reported resource model.

Conversion of Resources to Reserves for the BFS was contingent on feeding material types to the concentrator which are amenable to producing a smelter grade concentrate with an MgO content and Fe:MgO ratio that is suitable for potential offtake partners. Producing a conventional smelter grade concentrate limits the amount of combined Mineral Reserves that can be processed to the Measured and Indicated Resources of Silver Swan and Golden Swan and the serpentinite ore type in the BSD Measured and Indicated Resources which contains the appropriate lower MgO grades. The resulting Mineral Reserve for the 1.1Mtpa smelter grade concentrate project is presented in Table 3.

6. Operating and Financial Review (continued)

TABLE 3: 2022 BLACK SWAN PROJECT ORE RESERVE ESTIMATE

	JORC Compliance		Nickel Sulphide Reserves		
			Tonnes (Kt)	Ni% Grade	Ni Metal (kt)
BLACK SWAN PROJECT					
Black Swan Disseminated	2012	Proved	579	0.7	4.2
		Probable	2,608	0.7	17.7
Silver Swan	2012	Proved	-	-	-
		Probable	179	5.0	9.0
Golden Swan	2012	Proved			
		Probable	100	4.0	4.0
Total Ni Reserves	2012	Proved	579	0.7	4.2
		Probable	2,887	1.1	30.7
		Total	3,466	1.0	34.9

**Calculations have been rounded to the nearest 1,000t of ore, 0.1% Ni grade and 100t of metal.*

As part of the BFS, significant technical work was undertaken to ensure that the quality of the nickel concentrate produced was acceptable to conventional nickel smelters. A significant breakthrough was achieved when this work indicated a high-quality concentrate could be produced with the addition of a rougher concentrate regrind stage and the blending of Silver Swan tailings into the processing feed.

The results of metallurgical tests which reflect the concentrate specifications for the BFS are summarised in Table 4. Results presented are typical range for each test.

TABLE 4: CONCENTRATE SPECIFICATIONS

Element	Unit	BSD Only	BSD + 7.5% Silver Swan Tailings + 5% Silver Swan
Ni	%	17.1	15.0
Cu	%	0.6	0.6
Co	%	0.5	0.4
MgO	%	5.7	4.4
Fe	%	25.9	29.6
Fe:MgO	Ratio	4.5	6.7
As	ppm	3,400	3,800
S	%	38.4	36.2

Within the current proposed 1.1Mtpa restart pit outline, a significant portion of the BSD Mineral Resource has not been converted to Mineral Reserves due to metallurgical constraints to produce a saleable concentrate, if treated. The more magnesium rich resources that are not converted to reserves are subject to ongoing assessment in the Expansion Project 2.2Mtpa Feasibility Study to produce a rougher concentrate. If study findings are positive, it would potentially convert a larger amount of the BSD Resource to Reserves.

The BFS presents attractive economics assuming the Base Case economic assumptions of nickel price forward curves (as of 17th November 2022) for the initial operating period to December 2025, then a flat US$10.00/lb and AUD:USD$0.65 for the production period beyond this date. Forecast nickel price and foreign exchange rate used in the BFS by quarter are presented in Table 5.

6. Operating and Financial Review (continued)

TABLE 5: BASE CASE ECONOMIC INPUTS

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Concentrate Production	kt	-	17.7	61.3	57.7	43.8	15.4
Nickel Price	US$/lb	12.15	12.58	12.18	10.00	10.00	10.00
AUD: USD rate	AUD: USD	0.68	0.68	0.68	0.70	0.70	0.70
Basis of assumption		Forward Curves[1]			Management Forecast[2]		

1. *Nickel Price forward curves for 2023, 2024 and 2025 from LME website on close of Thursday 17th November 2022 inputted as Year 1, Year 2 and Year 3 respectively. AUD:USD forward curves inputted from an external source based on close of Thursday 17th November 2022.*
2. *Management estimate for period beyond forward curve inputs is US$10.00/lb nickel price and AUD:USD $0.70. Management has conservatively estimated these economic inputs based on expected nickel pricing to support the projected nickel demand over the medium term. Alternative upside nickel pricing scenarios have been considered based on positive outlook for nickel, see below.*

Assuming Base Case nickel price and foreign exchange inputs, the economic outcomes for the BFS are presented in Table 6. The BFS is dated November 2022, economic outputs presented do not reflect any changes in the cost base for the project if the BFS were dated today. All economic outcomes are presented in Australian dollars unless specified otherwise.

TABLE 6: PROJECT BASE CASE PRE-TAX ECONOMIC EVALUATION SUMMARY

Economic Outputs	Base Case
Revenue	$809M
Operating Costs	$483M
Pre-production Capital Expenditure	$50M
Net Cash Flow	**$227M**
Pre-tax NPV_8 [1]	**$167M**
IRR	**86%**
Payback Period[2]	1.3 years
C1 Cash Cost[3]	US$4.56/lb
AISC Cash Cost[4]	US$4.90/lb
Average Ni price	US$10.73/lb
Average FX (USD/AUD)	0.69

1. *NPV is based on real cash flow forecasts and represents value as at projected start date of concentrator refurbishment being 1 July 2023.*
2. *Period post completion of concentrator refurbishment.*
3. *C1 cash costs include operating cash costs including mining, processing, geology, OHSE, site G&A, concentrate transport, less by-product divided by nickel in concentrate produced (100% basis before smelter deductions). Excludes development and sustaining capex, pre-production costs and royalties.*
4. *AISC - C1 cash costs plus royalties and sustaining capital. Excludes development capital and preproduction costs.*

Black Swan Restart Activities

During the year significant progress was made towards the Black Swan restart:

- Dewatering of the Black Swan open pit completed allowing for further infill drilling;
- MRE update completed and reported in early June 2023;
- All regulatory approvals now in place for a project restart;
- Contract for the plant refurbishment progressed with GR Engineering Limited;
- Work continued on securing an option over 150 rooms in Kalgoorlie;
- Working with Western Power who have confirmed grid power will be available late 2024; and
- Offtake and project debt financing well advanced (refer below).

6. Operating and Financial Review (continued)

Offtake and Financing

The Company is negotiating offtake and project financing with two large international groups with both groups providing draft offtake and financing agreements. The Company has reviewed these documents and continues to negotiate with assistance from our concentrate marketing consultant and lawyers.

Metallurgical Testwork

The results from locked-cycle flotation testwork on the open pit disseminated serpentinite ore that underpinned the BFS predicted a nickel recovery that also aligned with the recovery reported in the production data from when the project last operated in 2008/09. A detailed review of the non-sulphide nickel (NSNi) and sulphur to nickel (S:Ni) ratio has been undertaken based on the recent disseminated open pit drilling results and the most recent Disseminated Mineral Resource Block Model (updated in June 2023). The new assay results suggest that the serpentinite samples that were utilised for the Black Swan BFS testwork program may have a lower NSNi content and a higher S:Ni ratio than what Norilsk Nickel Australia (NNA) reported in historical resource mine grade control data. The implications of this are that the composite samples from the disseminated resource utilised for the Black Swan BFS, while representative of the ore mined and processed in 2008/09, may not accurately represent the current Black Swan BFS open pit mine plan.

Additional samples are required to be taken and tested to ensure there is appropriate representation of the life of mine plan. These samples will assess areas of the mine plan not represented by the previous metallurgical samples. These additional samples will be obtained from diamond drill core (to eliminate any potential for nickel sulphide oxidation) and subject to locked-cycle flotation tests. Three distinct ore zones have been identified being the Main zone, Footwall zone and Hanging wall zone, and these will be sampled and tested separately, to optimise nickel recoveries and to confirm concentrate specifications reported in the BFS. This diamond drilling program was conducted from the bottom of the open pit in August 2023.

The metallurgical testwork program will be completed in two stages. The first stage will accelerate an understanding of the NSNi content (and identify any potential variation between ore zones) by utilising existing diamond drill core that was obtained from the 2021/2022 Gosling drilling program. This diamond drilling program accesses each ore zone (at depth) and will provide sample spatial representation of the second half on the mine plan. The existing core will be tested with the results anticipated by late October 2023. The results will provide information on the NSNi content and the nickel recovery for each ore zone. The second stage of the metallurgical testwork program will again utilise diamond core samples, this time obtained from the new drilling and sampling program. These samples will also intersect each ore zone separately and will provide spatial representation of the first half of the mine plan. The second stage of the testwork will have sufficient mass of sample allocated to each ore zone to complete the required ore blending and Locked-cycle flotation tests, required to confirm the final concentrate quality reported in the 2022 BFS. The Updated Mineral Resource Model identifies one of the ore zones (the Hanging Wall ore zone) having a lower S:Ni ratio (~0.80) and as such, may require a higher proportion of the Silver Swan Tailings (SST) blended in, when processing this ore zone in isolation. The new samples required for the second stage of the testwork program are anticipated to arrive at the metallurgical laboratory during October 2023. Based on this milestone, the results from the second stage of the testwork program are anticipated to be reported in February 2024.

Restart Decision Deferred

Despite the solid progress made since the Black Swan BFS was delivered the decision to restart Black Swan has been delayed due a combination of factors:

- The later availability of grid power;
- The need to complete additional metallurgical testwork;
- The continuing tightness in the WA labour market;
- Ability to secure accommodation in Kalgoorlie for FIFO workers; and
- The volatility in global commodity and equity markets.

The primary aim of the Company remains restarting Black Swan when all the above items have been resolved and the nickel price outlook and equity markets are more favourable.

6. Operating and Financial Review (continued)

Black Swan Expansion Project Feasibility Study

The Company continues to progress the Black Swan Expansion Project Feasibility Study which will produce a rougher concentrate that will contain a lower nickel grade and higher magnesium oxide content which could be processed via a high-pressure acid leach (HPAL) or pressure oxidation (POX) plant. The benefit of the Expansion Project is that the annual production of nickel concentrate would increase by operating the mill at nameplate capacity (2.2Mtpa) and the mine life could be extended due to the ability to treat talc carbonate material which is not included in the Current Ore Reserves thereby enhancing the economics of the project.

Metallurgical studies were undertaken during the year to determine the optimal rougher concentrate grade, metallurgical recovery and typical specifications to allow for potential offtakers to provide indicative terms. Concentrate samples have been supplied to potential customers to confirm suitability as a feed source for their hydrometallurgical processes.

The prefeasibility study for the Expansion Project is due for completion late 2023.

Projects - Lake Johnston

The Lake Johnston mine and processing facilities are situated 117km west of Norseman, accessed via the Hyden-Norseman road. The Company acquired the asset from Norilsk in November 2014 and include the Maggie Hays underground mine and a 1.5Mtpa nickel sulphide concentrator. The project has a resource of 52kt contained nickel in the Maggie Hays deposit. The operations at Lake Johnston remained on care and maintenance during the year.

Exploration Program

During the year the Company was awarded a Western Australian State Government grant of $180,000 for a systematic Air Core (AC) and Reverse Circulation (RC) drilling program that will assist in mapping the basal contact and delineate geochemical vectors towards nickel sulphide mineralisation.

The Western Ultramafic Unit (WUU) structure has been identified along 17km of strike. An initial program of shallow air core (AC) and reverse circulation (RC) drilling to delineate 14km of the interpreted overturned basal contact of the WUU was completed during the year. A total of 157 AC holes for 5,081 metres were drilled on 32 x 400-metre spaced lines. Initial sampling was conducted based on 4-metre composites. A further 17 RC holes for 1,556 metres were drilled.

The aim of the drill program was to both map the interpreted WUU basal contact and the channelised embayed features that are prospective for the accumulations of nickel sulphide mineralisation at its base and against the basal contact position as observed in Kambalda-style nickel sulphide deposits. The deeper RC holes provide critical geochemical information about the host rock fertility beneath the weathering profile and about the mineralisation of the basal contact.

Assay results from the reconnaissance drilling along the WUU has returned coincident nickel sulphide pathfinder (Ni:Co:Cu) anomalous zones within the weathering profile at seven separate prospects, including Roundtop, Raggedy Ann, Johnny Turk, Maggie Hays North, Maggie Hays West, Windy Hill and Jaymee Ruth (see Figure 1 below). The pathfinder anomalism includes Ni > 0.4% (at times Ni > 1.0%), Cu >150ppm and Co >500ppm have also been confirmed over prospective cumulate phase ultramafic rocks at various locations along the belt.

6. Operating and Financial Review (continued)

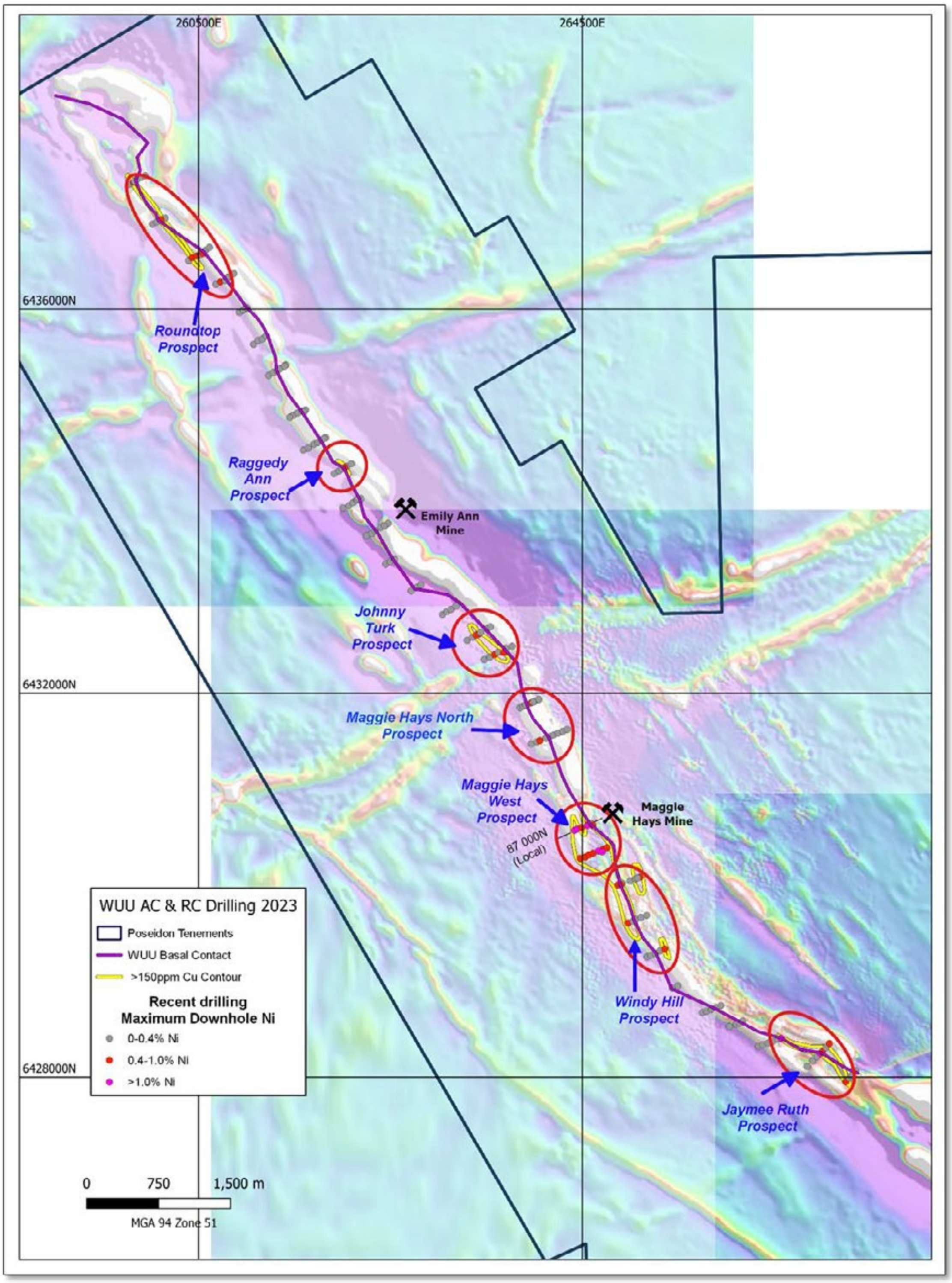


FIGURE 1: DRILLHOLE LOCATION PLAN OF THE RECENT PROGRAM COMPLETED AT THE LAKE JOHNSTON PROJECT, WITH MAXIMUM DOWNHOLE NICKEL AND >150PPM CU CONTOUR HIGHLIGHTED OVER MAGNETICS

6. Operating and Financial Review (continued)

The results of the drill program enhanced the prospectivity at Maggie Hays West by confirming the Ni:Cu regolith anomalism up dip from isolated historic nickel sulphide drill intersections. One of the RC drillholes (PLJA171) was drilled through the basal contact at Maggie Hays West returning MgO values averaging 37% (max. 41 % MgO) and Ni:Cr ratios averaging 4.3 which is indicative of fertile channel facies ultramafic cumulate rocks at the base of the thickened WUU (see Figure 2 below).

The drilling has led to the hypothesis that a possible, open ended mineralised channel target can be inferred at the Maggie Hays West Prospect that is up to 400 metres wide. The interpretation presents a compelling high priority target for follow up drilling to build further understanding of the geological structure in this area and undertake EM surveys.

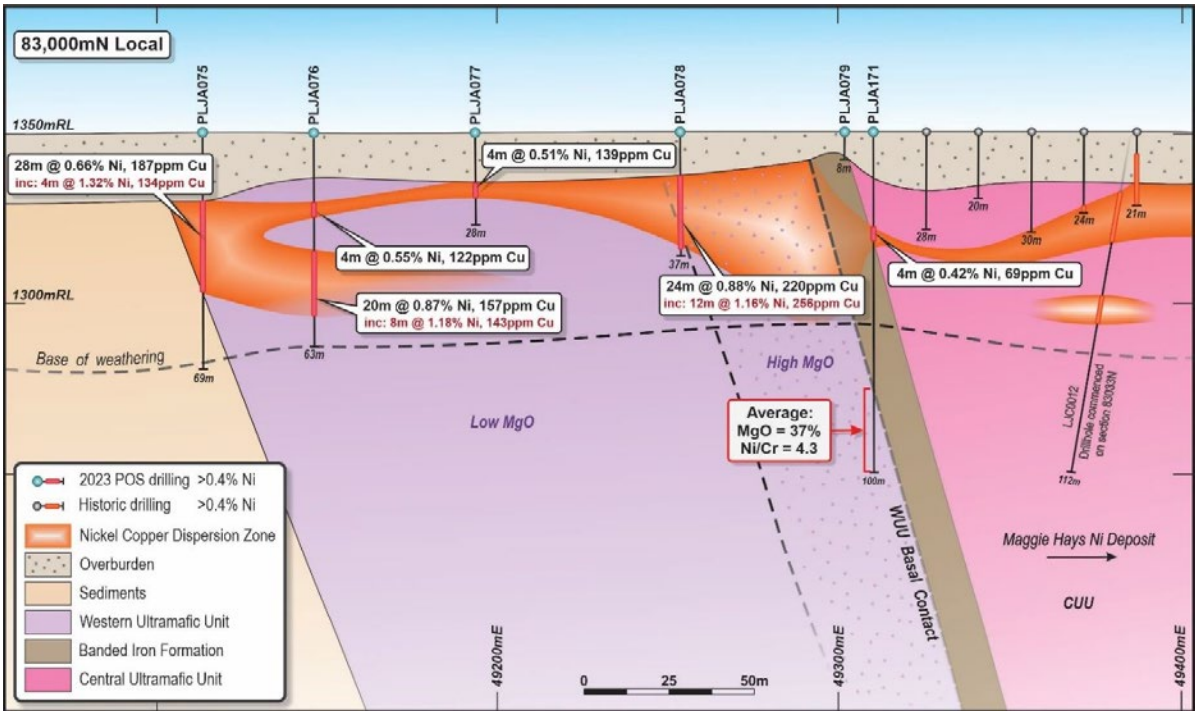


Figure 2. Maggie Hays West - Section 83 000N (Local Grid), showing recent and historic drilling with >0.4% Ni intersections, Ni:Cu dispersion and high MgO basal flow

Remediation Works

During the year an environmental compliance inspection of Lake Johnston was undertaken which identified a number of items that require addressing. These include dust control of the tailings facility that will require supplementary monitoring requirements as well as additional measures to cover the surface layer with a binding agent to reduce the amount of windblown dust being generated. Works have commenced to address the action items. As a result the Company has recognised a current provision for the estimated costs of these works as at 30 June 2023.

6. Operating and Financial Review (continued)

Projects - Windarra

Windarra Nickel

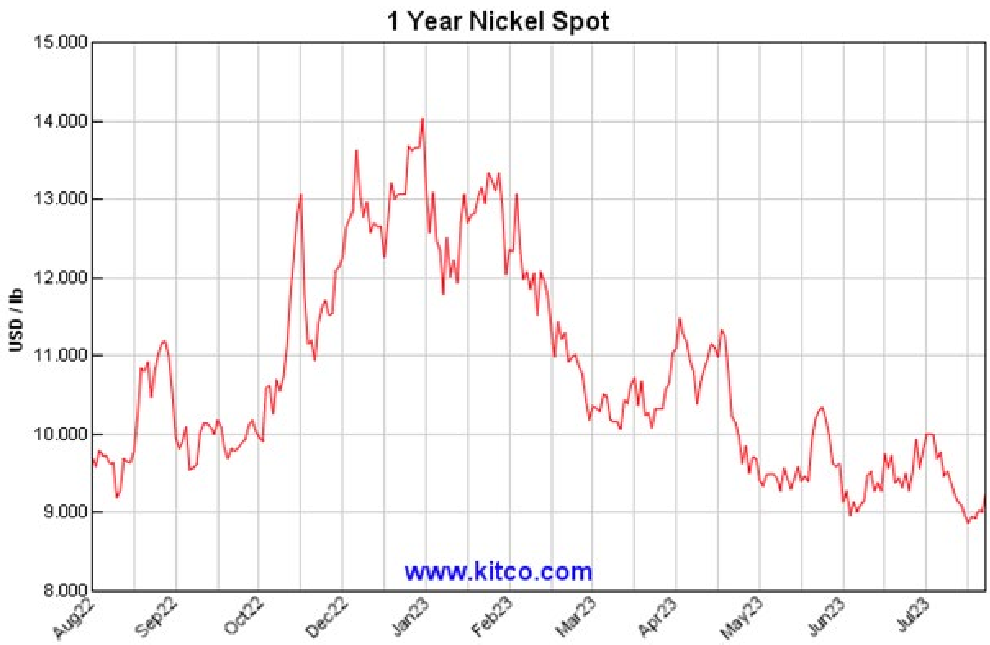
The Windarra Nickel Project is located in the Mt Margaret Goldfields of Western Australia and is situated about 25km west of Laverton. The site includes the previously mined underground Mt Windarra and open pit South Windarra mines. The project has combined resources of 148.5kt contained nickel primarily within the Mt Windarra (71.5kt) and Cerberus (69kt) deposits. The Windarra Nickel Project remains on care and maintenance.

Windarra Gold Tailings

During the year the Company entered into a Heads of Agreement (HOA) with Green Gold Projects Pte Ltd (GGP) whereby GGP will develop and operate the gold tailings project and Poseidon can retain an 8% free carried interest, subject to certain conditions precedent being satisfied. Subsequent to year end the HOA was terminated after GGP advised the Company that one of the conditions precedent could not be satisfied. While it is disappointing that GGP did not progress with the Windarra gold tailings project a regional resources company has expressed a strong interest in processing the Lancefield gold tailings and potentially the Windarra gold tailings along with accessing the considerable water resource in the South Windarra pit. Indicative terms have been presented by the interested party with data being exchanged and a formal Term Sheet currently being negotiated.

Nickel Market

The nickel price dropped from a high earlier in January 2023 of ~US$14.00/lb to ~US$9.30/lb in June 2023. This correction has been driven by several supply and demand side forces playing out in the nickel market. Management believes that while there are several down-side factors at play, long-term demand for nickel is still strong and will ultimately drive a higher nickel price.



* Above graph represents daily closing price

Global primary nickel production increased by an estimated 12% in the first half of FY2023. Significant growth in supply came from Indonesia and China (with the raw feed coming from Indonesia). This resulted in a 76.1kt over-supply in the January 2023 - May 2023 period.

6. Operating and Financial Review (continued)

While supply has increased significantly in the last six months the market has also been affected by weak demand for the metal. Stainless steel remains the largest use for nickel metal with China one of its largest producers. Recent Chinese economic data has been weak, as it recovers from harsh COVID lockdowns and a potential real estate crisis. Chinese stainless steel production in FY2023 fell 4.1% year on year to April 2023. While this bodes poorly for the nickel market short term, over the medium-term China may need to stimulate its economy which would lead to a possible increase in stainless steel production (and nickel) as a result.

The long-term prospects for nickel demand remain positive. The electric vehicle and renewable energy revolution, while yet to eventuate in FY2023, is expected to drive significant demand growth for nickel in the imminent future. Many analysts expect increased nickel demand for use in battery cathode materials for electric vehicles and “greenification” of world economies.

Financial Position

For the year ended 30 June 2023 the Group recorded a loss after tax of $11,338,000 (2022: $11,709,000) that includes depreciation and share based payment expense which are both non-cash items. If these items are excluded, the underlying loss after tax for the Group for the year is $10,553,000 (2022: $11,009,000). The working capital surplus as at 30 June 2023 is $3,328,000 (2022: surplus $9,684,000). The primary liability of the Group is the site rehabilitation provision of $61,935,000 (2022: $62,467,000). The Directors do not anticipate the Group being required to remediate its sites in the foreseeable future. The site rehabilitation provision is classified as non-current and included within total net assets of $76,033,000 (2022: $75,530,000).

The Group had a net cash outflow from operating activities of $10,262,000 (2022: $11,077,000) and a net cash outflow from investing activities of $6,431,000 (2022: $12,390,000). Operating cash outflow reflects ongoing exploration and evaluation and care and maintenance activities across the three operations of Black Swan, Lake Johnston and Windarra. Investing cash outflow reflects payments on exploration and evaluation activities and property, plant and equipment. In December 2022 the Company raised $5.9 million (before costs) through a private placement of ordinary shares and a further $6 million under a share purchase plan. The capital raising incurred transaction costs of $0.4 million. The Group held cash and cash equivalents of $5,701,000 at 30 June 2023 (2022: $11,089,000). Subsequent to year end the Company raised $6 million (before costs) through a placement of ordinary shares to professional and sophisticated investors. The capital raising incurred transaction costs of $0.3 million.

The Directors have reviewed a cash flow forecast for the next 12 months from the date of signing the financial report which demonstrates that the Group will have sufficient cash resources to continue as a going concern, subject to successful fund raising activities or asset sales during the period. The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows for the next 12 months which incorporates raising additional funding through equity, debt or hybrid financing, asset sales, joint venture type arrangements or other means to meet forecast minimum expenditure and maintain tenements and meet ongoing costs. The ability of the Group to achieve its forecast cashflows, being reliant on raising additional funds or asset sales, represents material uncertainty that may cast significant doubt about whether the Group can continue as a going concern in which case it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

7. Remuneration report – audited

Letter from the Chair of Remuneration, Nomination & Diversity Committee

Dear Shareholders,

Detailed on the following pages is the Poseidon Nickel Limited (Poseidon, the Company) Remuneration Report for the Financial Year to 30 June 2023 (FY23).

The Poseidon remuneration framework aims to support business goals and shareholder wealth creation, and the attraction and retention of key talent. In determining the FY23 remuneration outcomes the Board has carefully considered the achievements made over the year, shareholder feedback received on the FY22 Remuneration Report, and the need to recognise executive retention criticality over the next business phase.

In July 2023 the Company announced the decision to defer the restart of Black Swan due to project related factors and external market conditions. Despite the unplanned deferral, the team at Poseidon made very positive progress during FY23 by completing the Black Swan 1.1Mtpa Bankable Feasibility Study, advancing offtake and project debt financing with shortlisted parties, obtained environmental works, regulatory approvals and confirmation of grid power availability for Black Swan. In addition to the positive exploration results at Lake Johnston and other achievements, I am pleased the team have been very focused on their performance and delivery of results.

As outlined in the ASX Announcement dated 22 September 2023, the Company has also implemented changes that significantly reduce corporate and operational costs during the deferment of the restart of Black Swan. These changes significantly reduce the annual remuneration cost of the Board and executive team by about $700,000.

Remuneration Issues and Outcomes

- *The Board has received feedback from shareholders regarding issues relating to FY22 remuneration and the vote on the adoption of the FY22 Remuneration Report. Section 7.1.2 provides a detailed explanation of the issues and decisions made by the Board in exercising their discretion to extend the performance period for the FY22 STI. In consultation with independent remuneration consultants, the Board is reviewing the variable remuneration framework for FY24 and onwards including incentive governance (e.g., setting of KPIs and use of structured board discretion over incentive outcomes).*
- *Apart from the recent appointment of the new CEO, executives have only received the previously disclosed 1 July 2022 salary increases. The Board is currently satisfied with the level of executive fixed remuneration and therefore did not increase salaries during the 1 July 2023 review.*
- *Executives have only received the previously advised Short Term Incentives (STI) relating to the extended FY22 STI assessment.* ***Executives qualified for some FY23 STIs, but have forgone those awards.***
- *As key performance indicators relating to total shareholder return and the restart of Black Swan were not achieved by 30 June 2023,* ***75% of the executives LTIs were forfeited.*** *The remaining 25% achieved by the positive outcomes in increased reserves and resources resulted in subsequent awards to the executives in performance rights.*
- *Individual Non-Executive Director (NED) fees have not increased in FY23 and will not in FY24. Total NED fees will reduce in FY24 due to the reduction in NED numbers and the lower annual fees provided to the new Chair.*

On behalf of the Board, we look forward to your ongoing feedback and continuing discussions with our shareholders on our remuneration approach.

Yours sincerely,

Derek La Ferla
Chair of Remuneration, Nomination & Diversity Committee

7. Remuneration report – audited

Contents

This Remuneration Report (Report) outlines the remuneration approach and arrangements for Key Management Personnel (KMP) of Poseidon Nickel Limited (Poseidon or the Company) for the financial year ended 30 June 2023 (FY23). This Report includes the following:

7.1 Remuneration Governance, Principles & Structure
7.1.1 Key Management Personnel (KMP) covered in this report

For the purpose of this Report, KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including Executive KMP and Non-Executive Directors (NEDs) of Poseidon. The table below shows the KMP of the Company at any time during the year ended 30 June 2023 and unless otherwise stated, KMP for the entire period.

Name	Position
NED:	
Mr D La Ferla	Non-Executive Chair
Mr D Hildebrand	Non-Executive Director
Mr P Muccilli	Non-Executive Director
Mr W Hallam	Non-Executive Director
Executive KMP:	
Mr P Harold	Managing Director (MD)
Mr B Shalders	Chief Financial Officer (CFO)
Mr C Jones	General Manager Mining
Mr D Maxton	Project Director

7.1.2 Response to shareholder concerns from the 2022 Annual General Meeting (AGM)

At the 2022 Annual General Meeting (AGM), approximately 74% of shareholders eligible to vote, voted in favour of the adoption of the FY22 Remuneration Report. As more than 25% of shareholders voted against the adoption, the Company incurred a 'first strike' pursuant to section 250R of the Act.

7. Remuneration report – audited

7.1.2 Remuneration Governance, Principles & Structure (continued)

Poseidon takes shareholder concerns very seriously and following the AGM the Company undertook a process to consider and address the various concerns raised and determined the following actions to be taken:

- Engagement of an independent external remuneration advisor, The Reward Practice Pty Ltd, to provide guidance and advice regarding some of these concerns, and the likely views of shareholders and other stakeholders. The Reward Practice Pty Ltd was paid $29,000 for its services during FY2023; and
- Consideration of actual feedback received from shareholders and stakeholders and the advice and guidance from The Reward Practice, in determining the remuneration outcomes for the 2023 financial year and the changes required for the structure of remuneration for the 2024 financial year.

The key remuneration matter raised by shareholders related to the Board decision to extend the performance period for the Short Term Incentive (STI) for the financial year ended 30 June 2022 by six months for the following Corporate Key Performance Indicators (KPIs):

- *Black Swan Development* - Bankable Feasibility Study (BFS) for Black Swan 1.1Mt p.a. operation to be completed by 30 June 2022.
- *Ore Reserve Growth* - At least 5kt of high grade (>3%) reserve is to be added to current JORC Reserves by 30 June 2022.
- *Ore Resource Growth* - At least an additional 10,000 tonnes nickel of Black Swan Disseminated, which must be included in the re-start mining inventory, to be added to current Resources by 30 June 2022.

Upon assessment of the KPIs underpinning the STI in 2022, the Board chose to extend the performance period for these KPIs by six months to 31 December 2022. The decision to extend the performance period by six months was determined to be fair and reasonable based on the delays experienced by the Company in the development of the Black Swan Project and completion of exploration activities, which were outside the influence or control of management. It was determined that these delays were industry-wide and were primarily caused by the impact of COVID-19 along with the shutdowns and labour shortages that resulted from it. The Board, in exercising their discretion, also considered that key components of the KPIs that were within the control of employees had successfully been achieved or exceeded within the performance period ending 30 June 2022 and that upon the industry-wide delays being resolved, the KPIs would ultimately be achieved.

The Board acknowledges that short term incentives are typically measured over a 12-month period. However in this instance, it considered that as the project was in a critical stage where the full engagement of the Poseidon team was essential, and that it was the impact of external factors that were inhibiting the achievement of the KPIs, the extension of the performance period for six months represented a fair and measured approach in 2022. The Board will continue to apply its discretion in all matters related to remuneration in the interests of the Company and its shareholders, however the Board notes the feedback and sentiments of all stakeholders and the response to the extension of the performance period in 2022, and so will improve the process, determination and finalisation for all future KPIs.

The remuneration report has been reviewed and updated to improve the communication provided to assist in all stakeholders and readers understanding of the Company's remuneration framework, including governance, principles, structure and remuneration outcomes.

7.1.3 Remuneration Principles

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 remuneration framework is to ensure:

- **Market competitiveness:** Total remuneration is competitive in relation to the broader market and is linked to individual role, experience and performance;
- **Shareholder alignment**: Incentive schemes are achievable, subject to appropriate hurdles, aligned with the interests of the Company and its shareholders;
- **Retention and attraction**: Attract and retain talented and high calibre KMP and employees to the Company;
- **Transparency:** Remuneration systems are transparent, simple, clear and have measurable targets; and
- **Strategic focus:** Compatibility with the Company's phase of development, longer term aims, capital management strategies and structures.

7. Remuneration report – audited

7.1 Remuneration Governance, Principles & Structure (continued)

7.1.4 Remuneration Governance

The Board is committed to ensure that KMP remuneration is guided by a robust governance framework as follows.

Board of Directors (Board)	The Board: • considers the recommendations and considerations from the Remuneration, Nomination and Diversity Committee • approves the remuneration arrangements of Executive KMP including fixed and variable pay elements • proposes the aggregate remuneration of NEDs, subject to shareholder approval and sets individual remuneration for NEDs
Remuneration, Nomination and Diversity Committee (the Committee)	The Committee assists the Board to fulfil and discharge its responsibilities in relation to Poseidon's remuneration matters and policies. This includes: • evaluating and proposing for Board approval the remuneration packages (including fixed remuneration, short term and long term incentives and any other benefits or arrangements) of the Chief Executive Officer, executive directors and other members of Senior Management; • evaluating and proposing for Board approval approving the remuneration arrangements for non-executive directors; • monitoring compliance with the non-executive director remuneration pool as established by the Constitution, or as subsequently amended by shareholders, and recommending any changes to the pool; and • engagement of external remuneration consultants.
External Remuneration Consultants	The Committee/Board may seek external, independent remuneration advice on remuneration related issues. Remuneration consultants may be engaged directly by the Committee. During FY23, the Committee engaged The Reward Practice Pty Ltd to assist with the review and design of the executive incentive framework for executives and key roles and provide relevant market insights and considerations. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were provided by the consultant during the period.
Share Trading Policy	The trading of securities issued to eligible participants under any of the Company's employee equity plans is subject to and conditional on compliance with the Company's Security Trading Policy as provided on the Company's website and as referred to in the Annual Corporate Governance Statement.

7.1.5 Remuneration Structure

The Company aims to structure 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' variable remuneration (as outlined in the following table).

Element	Purpose	Links to strategy / shareholders
Total Fixed Remuneration (TFR)	Inclusive of base salary, salary sacrifice and compulsory superannuation contributions, recognising executive skills and experience.	Reviewed annually by the Committee through a process that considers both individual performance and overall performance of the Company. Remuneration consultants may be engaged periodically to provide analysis and advice to ensure the remuneration is competitive in the wider employment market. A senior executive's fixed remuneration will be reviewed upon promotion.
Short-Term Incentive (STI)	Eligible participants are provided the opportunity to receive a cash bonus or performance rights for achievement of short-term goals.	The STI plan provides benefits to the employee upon achievement of Company and individual key performance indicators (KPIs) over a 12-month period. The Company sets challenging KPIs to ensure payments are aligned to performance. The assessment of the KPIs and the resulting award of any STI is at Board discretion.
Long-Term Incentive (LTI)	Eligible participants are provided the opportunity to receive performance rights or a cash bonus for achievement of long-term Company goals.	The LTI plan provides benefits to the employee upon achievement of challenging Company key performance indicators (KPIs) over a 24-month period.

Performance rights, referred to in the table above are subject to the rules of The Employee Incentive Securities Plan (Plan) approved by shareholders at the 2022 Annual General Meeting.

7. Remuneration report – audited

7.2 FY23 Remuneration and Key Management Personnel Terms and Conditions

7.2.1 FY23 Performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to Jun 2023

	2023	2022	2021	2020	2019
Loss for the period ('000s)	11,338	11,709	10,933	12,852	10,495
Loss per share (cents)	0.35	0.39	0.40	0.49	0.45
Share price at 30 June	$0.037	$0.047	$0.089	$0.028	$0.035
Change in share price	(21.3%)	(47.2%)	217.9%	(20.0%)	(5.4%)

7.2.2 FY23 Fixed Reward & Key Contractual Conditions

As detailed in the 2022 Remuneration Report, following a market review of Total Fixed Reward (TFR) the salaries of Mr Harold, Mr Shalders and Mr Maxton were increased effective 1 July 2022. The increases recognise the scope and responsibilities of the individual's role and improve the alignment with the external employment market.

Benchmark remuneration information provided to the Board in June 2023, indicated that all executive salaries have remained within a reasonable market range for their respective roles. The Board, therefore, has not increased executive salaries at 1 July 2023. As outlined in the ASX Announcement dated 22 September 2023, Mr Harold will transition from the role of Managing Director and CEO effective 2 October 2023 and will commence in the role of Non-Executive Chairman effective 27 October 2023. As also included in the announcement, Mr Jones will commence in the role of CEO effective 2 October 2023 with a Base Salary of $400,000 and his notice period will be three months with a maximum termination provision of six months base salary.

The following table demonstrates the change in TFR and key contractual provisions over FY23.

Executive	FY23				FY22
	Base Salary	Superannuation	Contract Duration	Notice Period & Termination Provisions	Base Salary
Mr Harold, MD	$550,000	10.5%	No fixed term	3 months notice & 6 months termination payment	$500,000
Mr Shalders, CFO	$340,000	10.5%	No fixed term	3 months notice & termination payment	$300,000
Mr Jones, GM Mining	$350,000	10.5%	No fixed term	3 months notice & termination payment	$350,000
Mr Maxton, Project Director	$340,000	10.5%	No fixed term	3 months notice & termination payment	$275,000

It is the Company's policy that service contracts for KMPs are open common law employment contracts, unlimited in term but capable of termination on three months' notice. The Company retains the right to terminate the contract immediately, by making payment equal to 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 (if any) together with any superannuation benefits. Each KMP accrues 4 weeks of annual leave entitlements per year (Mr Harold is entitled to 5 weeks of annual leave entitlements per year) and long service leave as per state legislation.

The service contracts outline the components of remuneration paid to the KMP but do 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 changes in scope of the role and any changes required to meet the principles of the remuneration policy. There is no guaranteed base pay increases included in any KMPs contracts.

7. Remuneration report – audited

7.2 FY23 Remuneration and Key Management Personnel Terms and Conditions (continued)

7.2.3 FY23 Short Term Incentive (STI) Performance Conditions & Outcome

The following table outlines the performance conditions set and results achieved over the 12-month period ending 30 June 2023 to qualify for a STI bonus.

KPIs	DESCRIPTION	RESULT	COMMENTS
	GATEWAY CONDITION		
Safety	No significant long-term injuries, no fatalities and no permanent or total disablement injuries.	Met	Gate achieved, opens STI award opportunity for achievement of Corporate & Individual KPIs.
	CORPORATE KPIs **(Allocated to all key management personnel)**		
Capital Raise	Capital raising to be completed by 31 December 2022.	Achieved	$12M raised in December 2022.
Offtake	Offtake agreement/s for Black Swan restart to be signed by 30 June 2023.	Not Achieved	Significant positive progress made prior to decision to defer restart of Black Swan.
Debt Funding	Debt funding for Black Swan restart to be committed by 30 June 2023.	Not Achieved	Significant preparation made prior to decision to defer restart of Black Swan.
BFS	BFS on the Black Swan 2.2Mtpa processing circuit and ore feed sources to be completed by 30 June 2023.	Not Achieved	Some progress made prior to decision to defer restart of Black Swan.
FID	FID to be made on either Black Swan 1.1Mtpa or 2.2Mtpa processing circuit and ore feed sources by 30 June 2023.	Not Achieved	Significant positive progress made prior to decision to defer restart of Black Swan.
	INDIVIDUAL KPIs **(Allocated to relevant key management personnel)**		
Refurb / Process Contracts	Agreements for Black Swan concentrator refurbishment and process contractor (if company is not owner operated) at Black Swan Operations executed by 30 June 2023.	Not Achieved	Significant positive progress made prior to decision to defer restart of Black Swan.
Mining Contracts	Contracts for open pit and underground mining at Black Swan Operations executed by 30 June 2023.	Not Achieved	Significant positive progress made prior to decision to defer restart of Black Swan.
Safety	Demonstratable improvement to the Company's safety culture including in relation to safety reporting, systems and procedures and rectification of any issues identified in a safety audit within 3 months of completion of the audit or, if the identified issue is of a serious nature, immediately.	Achieved	Significant improvements made in process, focus on safety and preparation for restart of Black Swan.

7. Remuneration report – audited

7.2 FY23 Remuneration and Key Management Personnel Terms and Conditions (continued)

Details of the vesting of FY23 STIs awarded as remuneration in cash or performance rights to each key management personnel are detailed in the table below.

Executives	Max STI & % of Base Salary	KPIs & % Weighting	Proportion Achieved	STI Achieved	STI Awarded & Included in Remuneration
Mr P Harold	$275,000 (50%)	Capital Raise (20%) Offtake (20%) Debt Funding (20%) BFS (20%) FID (20%)	100% 0% 0% 0% 0%	$55,000 - - - -	- - - - -
			20%	**$55,000**	**Nil[1]**
Mr B Shalders	$136,000 (40%)	Capital Raise (20%) Offtake (20%) Debt Funding (20%) BFS (20%) FID (20%)	100% 0% 0% 0% 0%	$27,200 - - - -	- - - - -
			20%	**$27,200**	**Nil[1]**
Mr D Maxton	$102,000 (30%)	Capital Raise (14%) Offtake (14%) Debt Funding (14%) BFS (14%) FID (14%) Refurb/Process Contracts (20%) Safety (10%)	100% 0% 0% 0% 0% 0% 50%	$14,280 - - - - - $5,100	- - - - - - -
			19%	**$19,380**	**Nil[1]**
Mr C Jones	$140,000 (40%)	Capital Raise (14%) Offtake (14%) Debt Funding (14%) BFS (14%) FID (14%) Mining Contracts (20%) Safety (10%)	100% 0% 0% 0% 0% 0% 50%	$19,600 - - - - - $7,000	- - - - - - -
			19%	**$26,600**	**Nil[1]**

[1] The executives chose to forgo the STI award.

FY22 deferred STI assessment

As outlined in the 2022 Remuneration Report, the FY22 STI assessment was partly deferred from 30 June 2022 to 31 December 2022 for the following KPIs.

- Black Swan Development
- Ore Reserve Growth
- Ore Resource Growth

As detailed above in section 7.1.2 (Response to shareholder concerns from the 2022 AGM), the Board considered the deferral of the outcome and assessment at the later date to be fair and necessary.

Following the subsequent performance re-testing of the FY22 STI, the Board awarded the remaining portion of FY22 awards, detailed in the table below, to executives to recognise the successful achievement of these KPIs.

Executives	Max (FY22) STI & % of Base Salary	(FY22) STI Awarded & Included in FY23 Remuneration
Mr P Harold	$250,000 (50%)	$187,500
Mr B Shalders	$120,000 (40%)	$90,000
Mr D Maxton	$82,500 (30%)	$51,563
Mr C Jones	$77,509 [1] (40%)	$65,714

[1] Pro-rata proportion for part year employed.

7. Remuneration report – audited

7.2 FY23 Remuneration and Key Management Personnel Terms and Conditions (continued)

7.2.4 FY23 Long Term Incentive (LTI) Performance Conditions & Outcome

The following table outlines the performance conditions set and results achieved over the 24-month period ending 30 June 2023 to qualify for a LTI award.

KPIs	DESCRIPTION	RESULT	COMMENTS
Total Shareholder Return (TSR)	Absolute total shareholder return, benchmarked against the following ASX peer list. Nickel Sulphide Companies: Mincor Resources NL; Western Areas Ltd; Red River Resources Ltd; Panoramic Resources Ltd; Legend Mining Ltd; Lunnon Metals Ltd; Hillgrove Resources Ltd; Aeris Resources Ltd; New Century Resources Ltd Base Metal Companies: Develop Global Ltd; Hot Chilli Ltd; Widgie Nickel Ltd; Rex Minerals Ltd; Heron Resources Ltd; Galena Mining Ltd; Centaurus Metals Ltd; St George Mining Ltd	Not Achieved	Achieved <50th percentile TSR v peer group.
Resources	Adding to the current JORC Reserves at least 5,000 tonnes of high grade reserve (>3%Ni) and adding to current JORC Resources at least 10,000 tonnes of lower grade resource (<3%Ni). To be achieve by 30 June 2023 with the increases to be included in the re-start mining inventory (only for disseminated).	Achieved	High grade resources increased by 6,200t. Low grade resources increased by 24,000t.
Black Swan Operations	Black Swan Operations to be in production by 30 June 2023.	Not Achieved	Restart of Black Swan deferred.

Details of the vesting of LTIs achieved as a result of KPI performance tested from 1 July 2021 to 30 June 2023 and awarded as remuneration in performance rights to each director of the Company, and other key management personnel are detailed in the table below.

Executives	Max LTI & % of Base Salary	KPIs & % Weighting	Proportion Achieved	LTI Achieved	LTI Awarded & Included in Remuneration
Mr P Harold	$400,000 (80%)	TSR (50%) Resources (25%) Black Swan Operations (25%)	0% 100% 0%	- $100,000 -	- $100,000 -
			25%	**$100,000**	**$100,000**
Mr B Shalders	$150,000 (50%)	TSR (50%) Resources (25%) Black Swan Operations (25%)	0% 100% 0%	- $37,500 -	- $37,500 -
			25%	**$37,500**	**$37,500**
Mr D Maxton	$110,000 (40%)	TSR (50%) Resources (25%) Black Swan Operations (25%)	0% 100% 0%	- $27,500 -	- $27,500 -
			25%	**$27,500**	**$27,500**
Mr C Jones	$116,988 [1] (50%)	TSR (50%) Resources (25%) Black Swan Operations (25%)	0% 100% 0%	- $29,247 -	- $29,247 -
			25%	**$29,247**	**$29,247**

[1] Pro-rata proportion for part year employed.

7. Remuneration report – audited

7.2 FY23 Remuneration and Key Management Personnel Terms and Conditions (continued)

7.2.5 Non-Executive Director (NED) Remuneration

Total remuneration pool for all NEDs, as approved by shareholders at the 15 July 2019 General Meeting, is set at $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. There are no immediate plans to change the size of the NED remuneration pool.

NEDs receive an annual base fee of $53,888 (except for the chair who receives a base fee of $140,000) to cover the main board activities. NEDs receive an additional fee of $5,100 for each additional committee of which they are a member. NEDs who chair a committee receive a further additional fee of $10,000 for each committee chaired.

Along with executive salaries, the Board did not increase fees during their 1 July 2023 review. As outlined in the ASX Announcement dated 22 September 2023, the size of the Board will be reduced in line with the deferred restart of Black Swan and the need to reduce costs at the corporate level. Along with these changes, the annual base fee for Chair has been reduced from $140,000 to $110,000.

7. Remuneration report – audited (continued)

7.3 Detailed Remuneration Disclosures

7.3.1 Directors' and Key Management Personnel remuneration (Company and Consolidated)

In AUD		Short-term		Post employment	Share-based payments				
		Salary & fees[2] $	Bonus[3] $	Superannuation benefits $	Options[4] $	Performance rights[5] $	Other long-term benefits[6] $	Total $	Proportion of remuneration performance related
Directors									
Non-executive directors									
Mr D La Ferla (Chairman)	2023	154,700	-	-	-	-	-	154,700	0%
	2022	150,500	-	3,500	-	-	-	154,000	0%
Mr D Hildebrand	2023	74,088	-	-	-	-	-	74,088	0%
	2022	67,574	-	-	-	-	-	67,574	0%
Mr P Muccilli	2023	57,998	-	6,090	-	-	-	64,088	0%
	2022	58,262	-	5,826	-	-	-	64,088	0%
Mr W Hallam	2023	57,998	-	6,090	-	-	-	64,088	0%
	2022	4,855	-	486	-	-	-	5,341	0%
Ms F Gooding [1]	2023	-	-	-	-	-	-	-	0%
	2022	48,411	-	-	-	-	-	48,411	0%
Executives									
Mr P Harold, Managing Director/CEO	2023	519,791	187,500	25,292	61,930	118,463	59,171	972,147	31%
	2022	465,828	62,500	36,185	91,888	120,307	50,594	827,302	22%
Mr B Shalders, CFO	2023	333,896	90,000	25,295	-	45,152	30,520	524,863	26%
	2022	276,120	30,000	23,570	-	31,348	28,214	389,252	16%
Mr D Maxton, Project Manager	2023	331,362	51,563	25,293	-	34,762	27,409	470,389	18%
	2022	221,763	22,688	24,917	-	12,546	20,040	301,954	12%
Mr C Jones, General Manager Mining	2023	345,119	65,714	25,303	-	32,547	28,619	497,302	20%
	2022	112,628	11,795	11,263	-	22,188	8,972	166,846	20%
Total remuneration: key management personnel	2023	1,874,952	394,777	113,363	61,930	230,924	145,719	2,821,665	
	2022	1,405,941	126,983	105,747	91,888	186,389	107,820	2,024,768	

1. Ms F Gooding resigned on 25 February 2022.
2. Salary and fees include base salary and fees.
3. Bonuses relates to amounts earned under the Short-Term Incentive (STI) program based on achievement of KPI's in accordance with the STI program. These bonuses relate to the deferred FY22 STIs.
4. The options were issued in December 2020 as a sign-on incentive to Mr P Harold, valued using the Black Scholes method and value expensed over the term of the options as required by Accounting Standards.
5. The performance rights (PRs) remuneration expense is recognised pursuant to the Long-Term Incentive (LTI) Plan invitations for FY 2022 and FY 2023. The Company determines the fair value of the PRs that may be issued under the LTI Plan invitations each year and allocates that value across the performance period. The amount recognised in the current reporting period has also been adjusted upon determination of the actual PRs to be issued from the LTI Plan invitations issued in FY 2022 with the performance period ending 30 June 2023.
6. Other long-term benefits include leave entitlements paid and the movement in annual and long service leave provisions.

7. Remuneration report – audited

7.3 Detailed Remuneration Disclosure

7.3.2 Additional disclosures

Analysis of options and rights over equity instruments granted as Share Options

There were no new options granted during the year while 1,000,000 options with an exercise price of $0.10 lapsed on 1 December 2022 and were subsequently cancelled.

The below options were approved by shareholders at the November 2020 AGM:

Executive	Number of options granted	Grant date	Vesting and exercise date	Expiry date	Exercise price $	Value per option at grant date $	Held at 30 June 2023
Mr D La Ferla	1,000,000	1 Dec 2019	1 Dec 2019 [1]	1 Dec 2023	0.13	0.004	1,000,000
Mr P Harold	3,000,000	3 Mar 2020	3 Mar 2023 [2]	3 Mar 2025	0.04	0.010	3,000,000
Mr P Harold	3,000,000	3 Mar 2020	3 Mar 2023 [2]	3 Mar 2025	0.05	0.009	3,000,000
	7,000,000						**7,000,000**

[1] These options vest immediately and are exercisable at any time prior to the expiry date.
[2] These options vest on the vesting date unless employment is terminated by the Company without reason or the completion of a Change of Control in the Company.

Performance Rights

As part of the Long-Term Incentive Program for the year ending 30 June 2023, the Company has determined that the following performance rights may be granted as compensation to each key management person, upon completion of the two-year performance period:

Executives	Number of performance rights granted [2]	Vesting condition	Invitation date [1]	Share price at invitation date $
Mr P Harold	5,833,864	(a)	21 December 2022	$0.038
	2,916,932	(b)	21 December 2022	$0.038
	2,916,932	(c)	21 December 2022	$0.038
Mr B Shalders	2,253,993	(a)	21 December 2022	$0.038
	1,126,996	(b)	21 December 2022	$0.038
	1,126,996	(c)	21 December 2022	$0.038
Mr D Maxton	1,803,194	(a)	21 December 2022	$0.038
	901,597	(b)	21 December 2022	$0.038
	901,597	(c)	21 December 2022	$0.038
Mr C Jones	2,320,287	(a)	21 December 2022	$0.038
	1,160,143	(b)	21 December 2022	$0.038
	1,160,143	(c)	21 December 2022	$0.038

[1] The invitation date above refers to the date the offer was made to participants.
[2] The number of performance rights is an estimate based on the volume weighted average price (VWAP) of the Company's shares over a 20-day trading period immediately prior to the invitation date above. The actual number of performance rights issued will be determined subsequent to the conclusion of the performance period.

(a) Total Shareholder Return (50% weighting) – Absolute return from 1 July 2022 to 30 June 2024 benchmarked against ASX peers as per below list of peers.
(b) Resources (25% weighting) – Adding to the current JORC Reserves at least 25,000 tonnes of high-grade reserve (>3%Ni) and adding to the current JORC Resources at least 30,000 tonnes of lower grade resource (<3%Ni) by 30 June 2024.
(c) Black Swan Operations (25% weighting) – Black Swan Operations needs to be in production by June 2024.

Upon vesting conditions being met and approved by the Board, vested performance rights are granted to the participant with a three-year exercise period. The assessment of the above and the award are subject to Board discretion.

7. Remuneration report – audited

7.3 Detailed Remuneration Disclosure (continued)

Fair value of performance rights granted

Performance rights issued to KMPs are valued using the Black Scholes option pricing model or the Monte-Carlo Simulation model that takes into account the term of the performance rights, the share price at invitation date and expected volatility of the underlying right, the expected dividend yield, the risk-free rate for the term of the right and the correlations and volatilities of the peer group companies. The model inputs for the performance rights granted to KMPs during the year include:

	Total Shareholder Return	Resources	Black Swan Operations
Invitation date	21-Dec-22	21-Dec-22	21-Dec-22
Share price at invitation	$0.038	$0.038	$0.038
Fair value at invitation	$0.022	$0.038	$0.038
Volatility	75%	75%	75%
Expected dividend	Nil	Nil	Nil
Risk-free rate	3.185%	3.185%	3.185%
Performance period	1 July 2022 to 30 June 2024	1 July 2022 to 30 June 2024	1 July 2022 to 30 June 2024
Test date	30 June 2024	30 June 2024	30 June 2024

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 remuneration to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Details of equity incentives affecting current and future remuneration

Details of vesting profiles of the performance rights and options for each key management person and amounts recognised as remuneration during the current reporting period are detailed below:

Executives	Instrument	Number Granted / Offered [1]	Grant / Invitation date	% vested in year	% forfeited during year	Financial year in which grant vests	Recognised as remuneration in FY23 ($)
Mr P Harold	Options	6,000,000	3 Mar 2020	100	-	30 Jun 2023	61,930
Mr P Harold	Performance rights	2,481,390 [2]	15 Dec 2021	25	75	30 Jun 2023	54,378
Mr P Harold	Performance rights	11,667,728	21 Dec 2022	-	-	30 Jun 2024	64,085
Mr B Shalders	Performance rights	930,521	15 Dec 2021	25	75	30 Jun 2023	20,392
Mr B Shalders	Performance rights	4,507,985	21 Dec 2022	-	-	30 Jun 2024	24,760
Mr D Maxton	Performance rights	682,382	15 Dec 2021	25	75	30 Jun 2023	14,954
Mr D Maxton	Performance rights	3,606,388	21 Dec 2022	-	-	30 Jun 2024	19,808
Mr C Jones	Performance rights	725,732	15 Dec 2021	25	75	30 Jun 2023	7,059
Mr C Jones	Performance rights	4,640,573	21 Dec 2022	-	-	30 Jun 2024	25,488

[1] Performance rights are not granted or issued until the performance period has ended and the LTI award has been determined.
[2] Performance rights to be issued are subject to shareholder approval.

7. Remuneration report – audited

7.3 Detailed Remuneration Disclosure (continued)

Options and rights over equity instruments

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

	Held at 1 July 2022	Granted as compensation	Exercised/ forfeited	Net change other [2]	Held at 30 June 2023	Vested during the year [4]	Vested and exercisable at 30 June 2023 [4]
Options							
Mr D La Ferla	2,000,000	-	(1,000,000)	-	1,000,000	-	1,000,000
Mr P Harold	6,000,000	-	-	-	6,000,000	6,000,000	6,000,000
Performance Rights [3]							
Mr P Harold	6,316,285	11,667,728	-	(1,713,683)	16,270,330	2,481,390[1]	4,602,602[1]
Mr B Shalders	2,368,607	4,507,985	-	(642,632)	6,233,960	930,521	1,725,976
Mr D Maxton	1,153,645	3,606,388	-	(471,263)	4,288,770	682,382	682,382
Mr C Jones	1,888,322	4,640,573	-	(1,162,589)	5,366,306	725,732	725,732

1 Includes 2,481,390 performance rights that vested during the year that are subject to shareholder approval at the November 2023 AGM.

2 Relates to the difference between the estimated number of performance rights to be offered at invitation date and the actual performance rights issued upon determination of an award under the LTI Plan upon conclusion of the performance period. The estimated number of performance rights is based on the volume weighted average price (VWAP) of the Company's shares over a 20-day trading period immediately prior to the invitation date. The actual number of performance rights granted is based on the VWAP of the Company's shares over a 20-day trading period up to the final day of the performance period.

3 Other than those that have vested, performance rights have not been granted and the amounts listed above are an approximation of the performance rights offered to participants under the Company's Long-Term Incentive Plan.

4 The vesting conditions attached to these performance rights have been met, approved by the Board and granted to the participant with a three-year exercise period.

Key management personnel transactions – 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 2022	Share entitlement issue	Performance right conversion	Purchases or sales	Net change - other	Held at 30 June 2023
Directors						
Mr D La Ferla	-	-	-	-	-	-
Mr D Hildebrand	160,000	-	-	-	-	160,000
Mr P Muccilli	-	-	-	-	-	-
Mr W Hallam	-	-	-	-	-	-
Executives						
Mr P Harold	500,000	-	-	-	-	500,000
Mr B Shalders	176,973	-	-	285,714	-	462,687
Mr D Maxton	-	-	-	-	-	-
Mr C Jones	-	-	-	-	-	-

Subject to shareholder approval at the 2023 AGM, all current directors have committed to acquire shares issued in the capital raisings undertaken in December 2022 and August 2023.

End of Remuneration report – audited

8. Corporate governance statement

The Company's 2023 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/.

9. Material Business Risks

The Company's exploration and evaluation operations will be subject to the normal risks of mineral exploration and include the following:

Future Capital Raisings

The Company's ongoing activities may require further financing in the future and, although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all.

Climate change

The current and future activities of the Company may be affected by factors such as seasonal and unexpected weather patterns, heavy rain, floods, droughts and other weather conditions. The Company's financial performance and operations may be adversely impacted by these factors.

Changes to climate related regulations and government policy have the potential to impact our financial results, which could include imposition of carbon taxes or constraints on emissions.

Regulatory risks

The Company's operations are subject to various Commonwealth and State and local laws plans, including those relating to mining, prospecting, development permit and licence requirements, industrial relations, environment, land use, royalties, water, native title and cultural heritage, mine safety and occupational health. Approvals, licences and permits required to comply with such rules are subject to the discretion of the applicable government officials.

Resources and Reserves

The Mineral Resources and Reserve estimates are expressions of judgement based on knowledge, experience and industry practice and no assurance can be given that they will be realised.

Exploration success

No assurance can be given that exploration expenditure will result in future profitable operating mines.

Environmental risk

The Company has environmental liabilities associated with its tenements that it monitors on an ongoing basis to ensure compliance with all environmental laws and regulations.

10. Dividends

The Directors recommend that no dividend be declared or paid.

11. Events subsequent to reporting date

Subsequent to year end the Company raised $6 million (before costs of $0.3 million) through a placement of ordinary shares to professional and sophisticated investors.

On 8 September 2023 the Company announced the issue of 6,646,748 shares as a result of performance rights being exercised. Of these shares issued, 2,121,212 shares were issued to Mr Peter Harold, 1,725,976 shares were issued to Mr Brendan Shalders, 682,382 shares were issued to Mr David Maxton, 725,732 shares were issued to Mr Craig Jones while 1,391,446 were issued to other employees.

Subsequent to year end the Company announced leadership changes where the current Managing Director and CEO, Mr Peter Harold, will transition from the role of Managing Director and CEO effective 2 October 2023 and will commence in the role of Non-Executive Chairman effective 27 October 2023. Also, the Company's current General Manager, Mining, Mr Craig Jones, will commence in the role of CEO effective 2 October 2023. In addition, the size of the Board will reduce with the current Non-Executive Chairman Mr Derek La Ferla and Non-Executive Director Mr Dean Hildebrand both retiring from their roles on the Board, effective 27 October 2023.

12. Directors' interests

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

	Ordinary shares	Options over ordinary shares	Performance Rights
Mr D La Ferla	-	1,000,000	-
Mr P Harold	2,621,212 [1]	6,000,000	2,481,390 [2]
Mr D Hildebrand	160,000	-	-
Mr P Muccilli	-	-	-
Mr W Hallam	-	-	-
	2,781,212	7,000,000	2,481,390

[1] Includes 2,121,212 shares acquired upon exercise of performance rights as announced to the market on 8 September 2023.

[2] These performance rights are subject to shareholder approval at the 2023 AGM.

13. Share options

Options granted to directors and officers of the Company

During the financial year, there were no new options granted to directors or officers of the Company.

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

Shares issued on exercise of options

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

Insurance premiums

The Company has agreed to indemnify the following current directors and officers of the Company, Mr D La Ferla, Mr D Hildebrand, Mr P Muccilli, Mr W Hallam, Mr P Harold and Mr B Shalders against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers 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 and officers 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 officers 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 $78,350 (2022: $67,770).

16. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 89 and forms part of the directors' report for financial year ended 30 June 2023.

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 P Harold
Managing Director/CEO

Perth
22 September 2023

In thousands of AUD	***Note***	**2023**	**2022**
Assets			
Cash and cash equivalents	*4.1a*	5,701	11,089
Trade and other receivables	*4.2*	785	861
Total current assets		6,486	11,950
Property, plant and equipment	*3.2*	24,775	24,760
Right-of-Use Assets	*3.3*	341	485
Exploration and evaluation expenditure	*3.1*	106,242	99,940
Other	*3.4*	3,500	3,500
Total non-current assets		134,858	128,685
Total assets		141,344	140,635
Liabilities			
Trade and other payables	*4.3*	1,591	1,891
Lease liabilities	*5.2*	154	147
Provisions	*3.5*	1,200	-
Employee benefits		213	228
Total current liabilities		3,158	2,266
Provisions	*3.5*	61,935	62,467
Lease liabilities	*5.2*	218	372
Total non-current liabilities		62,153	62,839
Total liabilities		65,311	65,105
Net Assets		76,033	75,530
Equity			
Share capital	*5.1*	276,573	265,071
Reserves		980	641
Accumulated losses		(201,520)	(190,182)
Total equity attributable to equity holders of the Company		76,033	75,530

The notes on pages 58 to 83 are an integral part of these consolidated financial statements.

In thousands of AUD	***Note***	**2023**	**2022**
Other income	*2.2*	388	450
Depreciation expense		(445)	(395)
Personnel expenses	*2.3*	(4,054)	(3,122)
Exploration and evaluation costs expensed	*3.1*	(4,650)	(5,939)
Consultancy and advisor fees		(1,350)	(1,202)
Share based payment expense	*6.1*	(339)	(305)
Other expenses		(1,212)	(1,231)
Results from operating activities		(11,662)	(11,744)
Finance income		333	47
Finance costs		(9)	(12)
Net finance income / (costs)	*2.4*	324	35
Loss before income tax		(11,338)	(11,709)
Income tax benefit	*2.5*	-	-
Total comprehensive loss for the year		(11,338)	(11,709)
Earnings per share			
Basic and diluted loss per share (cents/share)	*2.6*	(0.35)	(0.39)

The notes on pages 58 to 83 are an integral part of these consolidated financial statements.

In thousands of AUD	Share Capital	Share based payment reserve	Accumulated losses	Total equity
Balance at 1 July 2021	**238,266**	**336**	**(178,473)**	**60,129**
Loss for the year	-	-	(11,709)	(11,709)
Other comprehensive income				
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(11,709)	(11,709)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of share capital (net of costs)	26,805	-	-	26,805
Issue of share options	-	92	-	92
Issue of performance rights	-	213	-	213
Total contributions by and distributions to owners	26,805	305	-	27,110
Balance at 30 June 2022	**265,071**	**641**	**(190,182)**	**75,530**
Loss for the year	-	-	(11,338)	(11,338)
Other comprehensive income				
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(11,338)	(11,338)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of share capital (net of costs)	11,502	-	-	11,502
Issue of share options	-	62	-	62
Issue of performance rights	-	277	-	277
Total contributions by and distributions to owners	11,502	339	-	11,841
Balance at 30 June 2023	**276,573**	**980**	**(201,520)**	**76,033**

The condensed notes on pages 58 to 83 are an integral part of these consolidated financial statements.

In thousands of AUD	***Note***	**2023**	**2022**
Cash flows from operating activities			
Sundry receipts		433	487
Payments to suppliers and employees		(11,028)	(11,611)
Cash used in operations		(10,595)	(11,124)
Interest received		333	47
Net cash used in operating activities	*4.1b*	(10,262)	(11,077)
Cash flows from investing activities			
Payments for property, plant and equipment		(384)	(348)
Payments for exploration and evaluation expenditure		(6,047)	(12,042)
Net cash used in investing activities		(6,431)	(11,892)
Cash flows from financing activities			
Proceeds from the issue of shares and options (net of costs)		11,461	26,805
Repayment of lease liabilities	*5.2*	(156)	(152)
Net cash received from financing activities		11,305	26,653
Net decrease in cash and cash equivalents		(5,388)	3,186
Cash and cash equivalents at 1 July		11,089	7,903
Cash and cash equivalents at 30 June	*4.1a*	5,701	11,089

The notes on pages 58 to 83 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 2023 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 Level 1, 3 Ord Street, West Perth WA 6005. 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 22 September 2023. 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);
- 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 2021. Refer to note 6.8 for further details; and
- Does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective.

1.2 Going concern

For the year ended 30 June 2023 the Group recorded a loss after tax of $11,338,000 (2022: $11,709,000). The working capital surplus as at 30 June 2023 is $3,328,000 (2022: surplus $9,684,000). The primary liability of the Group is the site rehabilitation provision of $61,935,000 (2022: $62,467,000). The Directors do not anticipate the Group being required to remediate its sites in the foreseeable future. The site rehabilitation provision is classified as non-current and included within total net assets of $76,033,000 (2022: $75,530,000).

1.2 Going concern (continued)

The Group had a net cash outflow from operating activities of $10,262,000 (2022: $11,077,000) and a net cash outflow from investing activities of $6,431,000 (2022: $12,390,000). Operating cash outflow reflects ongoing exploration and evaluation and care and maintenance activities across the three operations of Black Swan, Lake Johnston and Windarra. Investing cash outflow reflects payments on exploration and evaluation activities and property, plant and equipment. In December 2022 the Company raised $5.9 million (before costs) through a private placement of ordinary shares and a further $6 million under a share purchase plan. The capital raising incurred transaction costs of $0.4 million. The Group held cash and cash equivalents of $5,701,000 at 30 June 2023 (2022: $11,089,000). Subsequent to year end the Company raised $5.7 million (after costs) through a placement of ordinary shares to professional and sophisticated investors.

The Directors have reviewed a cash flow forecast for the next 12 months from the date of signing the financial report which demonstrates that the Group will have sufficient cash resources to continue as a going concern, subject to successful fund raising activities or asset sales during the period. The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows for the next 12 months which incorporates raising additional funding through equity, debt or hybrid financing, asset sales, joint venture type arrangements or other means to meet forecast minimum expenditure and maintain tenements and meet ongoing costs. The ability of the Group to achieve its forecast cashflows, being reliant on raising additional funds or asset sales, represents material uncertainty that may cast significant doubt about whether the Group can continue as a going concern in which case it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

1.3 Basis of consolidation

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

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

1.4 Foreign currencies

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

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

1.5 Research and development expenditure

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

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

1.6 Impairment

Financial assets

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

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

Non-financial assets

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

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

Any impairment identified is recognised in profit or loss. Reversals of impairments of assets are recognised if there is an indication that a previously recognised impairment loss has reversed and the recoverable amount of the impaired asset has subsequently increased.

1.7 Accounting judgements and estimates

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

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

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

- Going concern (note 1.2);
- Exploration and evaluation assets (note 3.1);
- Property, plant and equipment (note 3.2);
- Site rehabilitation provisions (note 3.5); and
- Share-based payments (note 6.1).

Section 2 – Results for the Year

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

KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

Deferred taxation

The Group has unrecognised carry forward tax losses which can be utilised against future taxable profits subject to meeting Australian tax law requirements. 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.

Information about reportable segments	**Nickel exploration and evaluation**	
In thousands of AUD	**2023**	**2022**
For the year ended 30 June		
Reportable segment other income	388	446
Reportable segment exploration costs expensed	(4,650)	(5,939)
Reportable segment loss before income tax	(4,262)	(5,493)
Reportable segment assets	134,513	127,921
Reportable segment liabilities	64,466	64,003
Capital expenditure	5,874	11,913
Reconciliations of reportable segment loss and assets		
Loss		
Total loss for reportable segments	(4,262)	(5,493)
Unallocated amounts: other corporate expenses	(7,400)	(6,251)
Net finance costs	324	35
Loss before income tax	(11,338)	(11,709)
Assets		
Total assets for reportable segments	134,513	127,921
Other assets	6,831	12,714
	141,344	140,635
Liabilities		
Total liabilities for reportable segments	64,466	64,003
Other liabilities	845	1,102
	65,311	65,105

There have been no changes to the basis of segmentation or the measurement basis for the segment loss since 30 June 2022.

2.2 Other income

Accounting Policy

Research and development proceeds

Research and development proceeds are government grants that are recognised in profit or loss when there is reasonable assurance that the grant will be received.

Sundry income

Includes income received from the rental of camp facilities and mining equipment to third parties.

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

In thousands of AUD	**2023**	**2022**
Research and development proceeds	210	370
Sundry income	178	80
	388	450

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	**2023**	**2022**
Directors fees	345	330
Wages and salaries	2,294	1,752
Superannuation expense	300	243
Other associated personnel expenses	901	533
Increase in liability for annual leave	201	261
Increase in liability for long service leave	13	3
	4,054	3,122

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.

2.4 Net financing costs (continued)

Net financing costs can be analysed as follows:

In thousands of AUD	*Note*	2023	2022
Finance Income			
Interest income on bank deposits		333	47
Finance Costs			
Interest expense – lease	*5.2*	(9)	(12)
Net finance income/(cost)		324	35

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.

2.5 Income tax expenses (continued)

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

In thousands of AUD	2023	2022
Current tax expense		
Current year	-	-
Adjustments for prior periods	-	-
	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
	-	-
Total tax benefit	-	-

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

In thousands of AUD	2023	2022
Loss for the year	(11,338)	(11,709)
Total tax expense	-	-
Loss excluding tax	(11,338)	(11,709)
Income tax expense at the Australian tax rate of 30% (2022: 30%)	(3,401)	(3,513)
Share-based payments	102	91
Non-assessable grant income	(63)	(111)
Donations	4	-
Over provided in prior periods	1,187	21
	(2,171)	(3,512)
Deferred tax assets not recognised	2,171	3,512
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	2023	2022
Deferred Tax Liabilities		
Exploration expenditure	(36,120)	(33,321)
Right-of-Use Assets	9	10
Other items	(7)	(7)
Deferred Tax Assets		
Carry forward tax losses	60,935	56,142
Business related costs	382	637
Closure costs	18,941	18,740
Other items	380	126
Net deferred tax asset/(liability)	44,520	42,327
Tax losses not recognised	(44,520)	(42,327)
Net deferred tax asset/(liability)	-	-

2.5 Income tax expenses (continued)

Unrecognised deferred tax assets

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

In thousands of AUD	**2023**	**2022**
Tax losses	44,520	42,327
	44,520	42,327

At 30 June 2023, the Group has carry-forward tax losses of $60,935,000 at 30% (30 June 2022: $56,142,000) of which $16,415,000 (30 June 2022: $13,815,000) 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 and diluted earnings (loss) per share

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

The calculation of EPS at 30 June 2023 was based on the loss attributable to ordinary shareholders of $11,338,000 (2022: $11,709,000) and a weighted average number of ordinary shares outstanding of 3,246,520,000 (2022: 3,032,777,000). Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

In thousands	**2023**	**2022**
Loss attributable to ordinary shareholders	(11,338)	(11,709)
Issued ordinary shares at 1 July	3,063,960	2,809,415
Effect of shares issued	182,560	223,362
Weighted average number of ordinary shares at 30 June	3,246,520	3,032,777
Basic and diluted* loss per share (cents)	(0.35)	(0.39)

* Potential ordinary shares of the Group consist of 6,646,748 dilutive performance rights issued. In the prior year the potential ordinary shares of the Group consisted of 3,000,000 dilutive share options and 1,349,432 dilutive performance rights issued. 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 focuses on the exploration and evaluation assets which form the core of the business, including those assets and liabilities which support ongoing exploration and evaluation as well as capital commitments existing at the year end.

KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

Indicators of impairment for exploration and evaluation assets

At 30 June 2023 and 30 June 2022, the Group 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 Group performs impairment testing in accordance with note 1.6.

3.1 Exploration and evaluation expenditure (continued)

Impairment (continued)

Any impairment identified is recognised in profit or loss. Reversals of impairments of assets are recognised if there is an indication that a previously recognised impairment loss has reversed and the recoverable amount of the impaired asset has subsequently increased.

Actual results could significantly differ depending on the recovery from such conditions.

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

In thousands of AUD	2023	2022
Costs carried forward in respect of areas of interest in the following phase:		
Exploration and evaluation phase	106,242	99,940
Reconciliations: Exploration and evaluation phase		
Carrying amount at beginning of year	99,940	87,397
Additions	5,634	11,495
Movement in provisions (note 3.5)	668	1,048
Carrying amount at end of year	106,242	99,940

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 $4,650,000 (2022: $5,939,000) was expensed as incurred through the Income Statement for the year.

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.

3.2 Property, plant and equipment (continued)

Impairment

Non-current assets are tested for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. The Group performs impairment testing in accordance with note 1.6.

Any impairment identified is recognised in profit or loss. Reversals of impairments of assets are recognised if there is an indication that a previously recognised impairment loss has reversed and the recoverable amount of the impaired asset has subsequently increased.

In thousands of AUD	Leasehold improvements	Plant and equipment- head office	Plant and equipment- mining sites	Motor vehicles - mining	Total
Cost					
Balance at 1 July 2021	1,006	740	26,960	377	29,083
Additions	-	37	211	169	417
Disposals	-	(4)	-	-	(4)
Balance at 30 June 2022	1,006	773	27,171	546	29,496
Balance at 1 July 2022	1,006	773	27,171	546	29,496
Additions	-	32	285	-	317
Disposals	-	(5)	-	-	(5)
Balance at 30 June 2023	1,006	800	27,456	546	29,808

In thousands of AUD	Leasehold improvements	Plant and equipment- head office	Plant and equipment- mining sites	Motor vehicles - mining	Total
Depreciation and impairment losses					
Balance at 1 July 2021	551	454	3,207	278	4,490
Depreciation for the year	40	43	138	29	250
Disposals	-	(4)	-	-	(4)
Balance at 30 June 2022	591	493	3,345	307	4,736
Balance at 1 July 2022	591	493	3,345	307	4,736
Depreciation for the year	40	50	169	42	301
Disposals	-	(4)	-	-	(4)
Balance at 30 June 2023	631	539	3,514	349	5,033

Carrying amounts

In thousands of AUD	Leasehold improvements	Plant and equipment- head office	Plant and equipment- mining sites	Motor vehicles - mining	Total
At 30 June 2022	415	280	23,826	239	24,760
At 30 June 2023	375	261	23,942	197	24,775

As the Lake Johnston and Black Swan nickel operations remain on care and maintenance, certain plant and equipment items associated with these projects that are not installed and ready for use are currently not being depreciated. As at 30 June 2023, the total carrying amount of these assets was $22,983,000 (2022: $22,983,000).

3.3 Right-of-use assets

ACCOUNTING POLICY

Recognition and measurement

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

During previous years, the Group entered into a new office space lease agreement for five years. The Group makes monthly fixed payments with a three per cent increase each year. On lease commencement, the Group recognised $595,000 of right-of-use asset and lease liability.

During previous years, the Group entered into a lease agreement for the use of IT office equipment for five years. The Group makes monthly fixed payments. On lease commencement, the Group recognised $128,000 of right-of-use asset and lease liability.

In thousands of AUD	**2023**	**2022**
Balance at 30 June	485	630
Depreciation charge for the year	(144)	(145)
Balance at 30 June	341	485

3.4 Other non-current assets

The Group holds a cash collateralised security deposit of $3,500,000 (2022: $3,500,000) in recognition of an on-going commitment to the environmental rehabilitation of the Windarra mine site.

3.5 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 $1,200,000 (2022: nil), classified as "current", is in respect of the remedial work required at Lake Johnston concerning the control of dust from the tailings facility that will require supplementary monitoring requirements as well as additional measures to cover the surface layer with a binding agent to reduce the amount of windblown dust being generated.

The non-current site rehabilitation provision of $61,935,000 (2022: $62,467,000) is in respect of the Group's on-going obligation for the environment rehabilitation of its Lake Johnston, Black Swan and Windarra nickel operations.

Movements in non-current provisions

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

In thousands of AUD	**2023**	**2022**
Carrying amount of liability at beginning of year	62,467	57,919
Addition to provision (note 3.1)	(532)	1,048
Reclassification from current provision	-	3,500
Carrying amount at end of year	61,935	62,467

During the year, the rehabilitation provision was re-estimated based on updated economic assumptions including underlying inflation and discount rates.

3.6 Capital and other commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is 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	**2023**	**2022**
Less than one year	1,627	1,586
Between one and five years	6,140	6,310
More than five years	6,000	7,246
	13,767	15,142

The above represent commitments over the tenure of the tenements held by the Group.

Section 4 – Working Capital Disclosures

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

KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

There were no key estimations or assumptions in this section.

4.1 Cash and cash equivalents

ACCOUNTING POLICY

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

a. Cash and cash equivalents

In thousands of AUD	**2023**	**2022**
Bank balances	5,701	11,089
Cash and cash equivalents in the statement of cash flows	5,701	11,089

b. Reconciliation of cash flows from operating activities

In thousands of AUD	**2023**	**2022**
Cash flows from operating activities		
Loss for the year	(11,338)	(11,709)
Adjustments for:		
Depreciation	445	395
Interest expense – lease	9	12
Equity-settled share-based payment transactions	339	305
Operating loss before changes in working capital and provisions	(10,545)	(10,997)
Change in trade and other receivables	120	56
Change in trade payables and employee benefits	163	(136)
Net cash used in operating activities	(10,262)	(11,077)

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 profit or loss statement. The Group's exposure to credit risk in relation to its receivables is not material.

Current

In thousands of AUD	**2023**	**2022**
Goods and services tax receivable	283	392
Other receivables	103	141
Other assets and prepayments	399	328
	785	861

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	**2023**	**2022**
Trade payables	617	1,108
Other payables	974	783
	1,591	1,891

Section 5 – Equity and Funding

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

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	**2023**	**2022**
Ordinary shares		
Fully paid	3,404,031	3,063,960
Total share capital on issue at 30 June	3,404,031	3,063,960
Movements in ordinary shares on issue:		
On issue at 1 July	3,063,960	2,809,415
Shares issued and expensed during the year:		
Issued for cash (i)	340,071	254,545
Issued for performance rights	-	-
On issue at 30 June	3,404,031	3,063,960

(i) During the reporting period the Company issued 340,071,358 ordinary shares at an average of $0.035 per share to raise approximately $11,903,000. The capital raising incurred transaction costs of $401,000. Directors of the Company have subscribed for 2,857,143 new shares for a total of $100,000 as part of the above placement that requires shareholder approval which will be sought at the November 2023 AGM.

During the prior reporting period the Company issued 254,544,674 ordinary shares at an average of $0.11 per share to raise $28,000,000. The capital raising incurred transaction costs of $1,195,000.

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.

5.2 Lease Liabilities

Accounting Policy

Recognition and measurement
The Group has lease contracts for office space usage and IT office equipment with lease terms of five years.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As at 30 June 2023 lease liabilities have a remaining lease term of five years or less and were determined using an effective interest rate of 2%.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

In thousands of AUD	**2023**	**2022**
Balance at 30 June	519	659
Cash repayments	(156)	(152)
Interest	9	12
Balance at 30 June	372	519

In thousands of AUD	**2023**	**2022**
Current lease liabilities	154	147
Non-current lease liabilities	218	372
	372	519

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 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.

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

Share-based payments recorded for performance rights are subject to estimation as they are calculated using the Black-Scholes option pricing model, which is based on significant assumptions such as volatility, dividend yield, expected term and forfeiture rate.

6.1 Share-based payments arrangements

ACCOUNTING POLICY

The grant date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

In thousands of AUD	**2023**	**2022**
Performance rights expense	277	213
Options expense (a)	62	92
Total expenses recognised as employee costs	339	305

(a) Options were issued in FY20 and continue to be expensed in 2023 over their vesting period.

Share Options

The fair values at grant date of options are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

6.1 Share-based payments arrangements (continued)

Share Options (continued)

There were no new share options granted during the current year while 1,000,000 options with an exercise price of $0.10 lapsed.

Share options outstanding at the end of the year have the following expiry dates and expiry prices:

Issue date	Vesting and exercise date	Expiry date	Exercise price $	Value per option at issue date $	Number of shares
1 Dec 2019	1 Dec 2019	1 Dec 2023	0.13	0.004	1,000,000
3 Mar 2020	3 Mar 2023	3 Mar 2025	0.04	0.010	3,000,000
3 Mar 2020	3 Mar 2023	3 Mar 2025	0.05	0.009	3,000,000
					7,000,000

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.50 years (2022: 2.24 years).

Performance rights

The fair values at grant date of performance rights are independently determined using a Black-Scholes option pricing model or the Monte-Carlo Simulation model that takes into account the term of the rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the rights.

The board can decide to issue performance rights in relation to short-term performance incentives (STI) and long-term performance incentives (LTI) under the Incentive Performance Rights Plan (IPRP) approved by shareholders at the November 2022 AGM.

Long-Term Incentives (LTI)

2023

In the current year there were 29,732,816 performance rights offered to participants with Key Performance Indicators (KPIs) being measured over a 24-month period commencing 1 July 2022 and ending 30 June 2024.

Each participant in the program is required to achieve the following KPIs in order to qualify for an LTI award:

i. Total Shareholder Return – Absolute return from 1 July 2022 to 30 June 2024 benchmarked against ASX peers as per below list of peers.

ii. Resources – Adding to the current JORC Reserves at least 25,000 tonnes of high-grade reserve (>3%Ni) and adding to the current JORC Resources at least 30,000 tonnes of lower grade resource (<3%Ni) by 30 June 2024.

iii. Black Swan Operations – Black Swan Operations needs to be in production by June 2024.

The assessment of the above and the award are subject to Board discretion.

TSR – Peer group companies based on metal and market cap

Mincor Resources NL	Hillgrove Resources Ltd	Widgie Nickel Ltd
Red River Resources Ltd	Aeris Resources Ltd	Rex Minerals Ltd
Panoramic Resources Ltd	New Century Resources Ltd	Galena Mining Ltd
Legend Mining Ltd	Develop Global Ltd	Centaurus Metals Ltd
Lunnon Metals Ltd	Hot Chilli Ltd	St George Mining Ltd

6.1 Share-based payments arrangements (continued)
Performance rights (continued)

2022

In the prior year there were 10,936,380 performance rights offered to participants with Key Performance Indicators (KPIs) being measured over a 24-month period commencing 1 July 2021 and ending 30 June 2023.

At the end of the performance period, it was determined that 5,657,494 vested performance rights are to be offered to participants due to performance conditions being met.

Each participant in the program was required to achieve the following KPIs in order to qualify for an LTI award:

i. Total Shareholder Return – Absolute return from 1 July 2021 to 30 June 2023 benchmarked against ASX peers as per below list of peers - ***not achieved.***

ii. Resources – Adding to the current JORC Reserves at least 5,000 tonnes of high-grade reserve (>3%Ni) and adding to the current JORC Resources at least 10,000 tonnes of lower grade resource (<3%Ni). To be achieved by 30 June 2023 with the increases to be included in the re-start mining inventory (only for disseminated) - ***achieved.***

iii. Black Swan Operations – Black Swan needs to be in production by June 2023 - ***not achieved.***

The outstanding performance rights at the end of the year were:

			Estimated number of Performance Rights				
Tranche	**Invitation Date**	**Fair Value at Invitation Date $**	**Opening balance**	**Granted/ Offered**	**Satisfied by allotment of shares**	**Net change other[2]**	**Closing balance**
TSR - 2023	21 Dec 22	0.022	-	14,866,408	-	-	14,866,408
Resources - 2023	21 Dec 22	0.038	-	7,433,204	-	-	7,433,204
BSO - 2023	21 Dec 22	0.038	-	7,433,204	-	-	7,433,204
TSR - 2022	15 Dec 21	0.087	3,854,223	-	-	(3,854,223)	-
Resources – 2022 (vested)[1]	15 Dec 21	0.087	1,927,111	-	-	2,632,443	4,559,554[3]
BSO - 2022	15 Dec 21	0.087	1,927,111	-	-	(1,927,111)	-
TSR – 2022a	28 Feb 22	0.094	1,267,873	-	-	(1,267,873)	-
Resources – 2022a (vested)	28 Feb 22	0.094	633,937	-	-	464,003	1,097,940[3]
BSO – 2022a	28 Feb 22	0.094	633,937	-	-	(633,937)	-
TSR – 2021 (vested)	31 Mar 21	0.057	3,193,655	-	-	-	3,193,655[3]
Cost savings – 2021 (vested)	31 Mar 21	0.057	276,989	-	-	-	276,989[3]
			13,714,836	**29,732,816**	-	**(4,586,698)**	**38,860,954**

Upon vesting conditions being met and approved by the Board, vested performance rights are granted to the participant with a three-year exercise period. Other than those that have vested, performance rights have not been granted and the amounts listed above are an approximation of the performance rights offered to participants under the Company's Long Term Incentive Plan.

1 Includes 2,481,390 performance rights relating to Mr P Harold which are subject to shareholder approval.

6.1 Share-based payments arrangements (continued)
Performance rights (continued)

[2] Relates to the difference between the estimated number of performance rights to be offered at invitation date and the actual performance rights issued upon determination of an award under the LTI Plan upon conclusion of the performance period. The estimated number of performance rights is based on the volume weighted average price (VWAP) of the Company's shares over a 20-day trading period immediately prior to the invitation date. The actual number of performance rights granted is based on the volume weighted average price (VWAP) of the Company's shares over a 20-day trading period up to the final day of the performance period.

[3] The vesting conditions attached to these performance rights have been met, approved by the Board and granted to the participant with a three-year exercise period.

Fair value of performance rights granted

Performance rights issued are valued using the Black Scholes option pricing model or the Monte-Carlo Simulation model that takes into account the term of the performance rights, the share price at invitation date and expected volatility of the underlying right, the expected dividend yield, the risk-free rate for the term of the right and the correlations and volatilities of the peer group companies. The model inputs for the performance rights granted during the year include:

	Total Shareholder Return	Resources	Black Swan Operations
Invitation date	21-Dec-2022	21-Dec-2022	21-Dec-2022
Share price at invitation	$0.038	$0.038	$0.038
Fair value at invitation	$0.022	$0.038	$0.038
Volatility	75%	75%	75%
Expected dividend	Nil	Nil	Nil
Risk-free rate	3.185%	3.185%	3.185%
Performance period	1 July 2022 to 30 June 2024	1 July 2022 to 30 June 2024	1 July 2022 to 30 June 2024
Test date	30 June 2024	30 June 2024	30 June 2024

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.

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 $5,701,000 (2022: $11,089,000), a security deposit of $3,500,000 (2022: $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.

6.2 Financial risk management (continued)

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 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 2023

		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	1,591	1,591	-	-	-	-
Lease liabilities	372	79	81	164	57	-
	1,963	1,670	81	164	57	-

Consolidated

30 June 2022

		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	1,891	1,891	-	-	-	-
Lease liabilities	519	77	79	160	221	-
	2,410	1,968	79	160	221	-

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.

6.2 Financial risk management (continued)

Market risk (continued)

(a) Currency risk

The functional currency of the entities within the Group is the Australian dollar (AUD). During the year the Group had no exposure to foreign currency risk.

(b) Interest rate risk

The Group is exposed to interest rate risk due to variable interest being earned on its interest-bearing bank accounts. 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	**2023**	**2022**
Fixed rate instruments		
Lease liabilities	372	519
In thousands of AUD		
Variable rate instruments		
Cash and cash equivalents	5,701	11,089
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 2023 and 2022 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

As at 30 June 2023 the Group is not exposed to any equity price risk on its financial liabilities and equity investments. 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.

Fair values

The Group considers that the carrying amount of financial assets and liabilities recorded in the financial statements represents or approximate their respective fair values.

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	**2023**	**2022**
Short-term employee benefits	2,270	1,533
Other long-term benefits	146	108
Post-employment benefits	113	106
Share-based payments	293	278
	2,822	2,025

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 7.3.

Apart from the details disclosed in this note, no director or executive 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		**2023**	**2022**
Significant subsidiaries			
Poseidon Nickel Atlantis Operations Pty Ltd	Australia	100%	100%
Western Nickel Limited	Australia	100%	100%

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

6.5 Auditor's remuneration

In AUD	**2023**	**2022**
Audit services		
Auditors of the Group – KPMG		
Audit and review of financial reports	78,350	67,770

6.6 Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2023 the parent company of the Group was Poseidon Nickel Limited.

In thousands of AUD	2023	2022
Results of the parent entity		
Loss for the year	(11,338)	(11,709)
Total comprehensive loss for the year	(11,338)	(11,709)
Financial position of the parent entity at year end		
Current assets	6,486	11,950
Total assets	141,344	140,635
Current liabilities	3,158	2,266
Total liabilities	65,311	65,105
Total equity of the parent entity comprising of:		
Share capital	276,573	265,071
Share based payments reserve	980	641
Accumulated losses	(201,520)	(190,182)
Total equity	76,033	75,530
Exploration expenditure commitments of the parent		
Less than one year	1,627	1,586
Between one and five years	6,140	6,310
More than five years	6,000	7,246
	13,767	15,142

6.7 Subsequent events

Subsequent to year end the Company raised $6 million (before costs of $0.3 million) through a placement of ordinary shares to professional and sophisticated investors.

On 8 September 2023 the Company announced the issue of 6,646,748 shares as a result of performance rights being exercised. Of these shares issued, 2,121,212 shares were issued to Mr Peter Harold, 1,725,976 shares were issued to Mr Brendan Shalders, 682,382 shares were issued to Mr David Maxton, 725,732 shares were issued to Mr Craig Jones while 1,391,446 were issued to other employees.

Subsequent to year end the Company announced leadership changes where the current Managing Director and CEO, Mr Peter Harold, will transition from the role of Managing Director and CEO effective 2 October 2023 and will commence in the role of Non-Executive Chairman effective 27 October 2023. Also, the Company's current General Manager, Mining, Mr Craig Jones, will commence in the role of CEO effective 2 October 2023. In addition, the size of the Board will reduce with the current Non-Executive Chairman Mr Derek La Ferla and Non-Executive Director Mr Dean Hildebrand both retiring from their roles on the Board, effective 27 October 2023.

6.8 New Accounting Standards and Interpretations adopted from 1 July 2022

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the Group and effective for annual reporting periods beginning on or after 1 July 2022 and has determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Group's accounting policies.

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

   (a) the consolidated financial statements and notes that are set out on pages 54 to 83 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 2023 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 Managing Director/Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2023.

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:

Mr P Harold
Managing Director/CEO

Perth
22 September 2023

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 2023 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 2023;
- 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; and
- 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1.2, "Going Concern" in the financial report. The conditions disclosed in Note 1.2 indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern.

Our approach to this involved:

- Assessing the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern, in particular in light of the history of loss making operations;
- Evaluating the feasibility, quantum and timing of the Group's plans to raise additional funds to address going concern; and
- Determining the completeness of the Group's going concern disclosures for the principle matters casting significant doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and the material uncertainty.

Key Audit Matters

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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Exploration and Evaluation Expenditure (A$106.2m)	
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 75% of total assets); and • The greater level of audit effort to evaluate the Group's application of the requirements 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 consideration of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed. In assessing the conditions allowing capitalisation of relevant expenditure, we focused on: • The determination of the areas of interest (areas); • Documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the authoritative	Our procedures included: • Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the AASB6 accounting standard; • Assessing the Group's determination of its areas of interests for consistency with the definition in the accounting standard; • For each area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant license to government registries and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses; • Testing the Group's additions to E&E for the year by evaluating a statistical sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard; • Assessing the impact of the ongoing volatility in the nickel market and prices to the Group's modelling underlying their decision for commercial continuation of activities;

KPMG

nature of external registry sources and the Group's intention and capacity to continue the relevant E&E activities; and • The Group's determination of whether the capitalised E&E is expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. In considering impairment indicators, we focused on those that 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, and given the financial position of the Group we paid particular attention to: • The impact of ongoing volatility in the nickel market and prices on the Group's strategy and intentions; • The ability of the Group to fund the continuation of activities; 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.	• Obtaining project and corporate budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding; and • Evaluating the Group's assessment of prospectivity for consistency with their stated intentions and documentation for continuing E&E in its areas of interest. We assessed this through interviews with the key operational and finance personnel and comparing with Group documents such as: – Internal budgets; – Minutes of board meeting; and – Announcements made by the Group to the Australia Securities Exchange.

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 Chairman and Managing Director's Report, Project Report, Operation and Exploration Reports and ASX additional information 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 and will 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; and
- 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Poseidon Nickel Limited for the year ended 30 June 2023 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 17 to 29 of the Directors' report for the year ended 30 June 2023.

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

KPMG

KPMG

Graham Hogg

Partner

Perth

22 September 2023

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 2023 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Graham Hogg

Partner

Perth

22 September 2023

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 21 September 2023.

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	227	76,492
1,001 – 5,000	597	2,336,688
5,001 – 10,000	1,738	14,524,142
10,001 – 100,000	7,186	305,016,354
100,001 and over	3,767	3,386,223,956
	13,515	**3,708,177,632**

There were 5,492 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	363,878,823	9.81
Ms Danielle Sharon Tudehope	95,000,000	2.56
Citicorp Nominees Pty Limited	80,756,205	2.18
JP Morgan Nominees Australia Pty Ltd	74,734,170	2.02
Mr Marcus Stewart Bowman	62,840,487	1.69
HSBC Custody Nominees (Australia) Limited	61,015,586	1.65
Farjoy Pty Ltd	58,477,538	1.58
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	51,792,490	1.40
Mr Damian Ronald Gillman & Mrs Lucia Gillman <Damian & Lucia Gillman A/C>	42,500,000	1.15
BNP Paribas Noms Pty Ltd <DRP>	38,270,451	1.03
Indermaur Pension Fund Pty Ltd <Indermaur Pension A/c>	32,000,000	0.86
BNP Paribas Nominees Pty Ltd ACF Clearstream	31,972,903	0.86
Mrs Rena Elizabeth Indermaur	25,656,781	0.69
Xue Investments Pty Limited <Xue Family A/c>	23,158,287	0.62
Mr Christopher Charles Indermaur & Mrs Rena Elizabeth Indermaur <Indermaur Family S/F A/C>	22,350,095	0.60
McNeil Nominees Pty Ltd	21,400,000	0.58
Erceg Enterprises Pty Ltd	21,350,000	0.58
Mr Kenneth Joseph Hall <Hall Park A/C>	21,000,000	0.57
Mr Roger Anthony Pierce	18,250,000	0.49
Mr Marko Nakomcic	16,000,000	0.43
Total	**1,162,403,816**	**31.35**

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Black Mountain Metals Pty Ltd	363,878,823	9.81

D. Unquoted equity security holders (as at 21 September 2023)

	Number held
Unlisted Options	
- exercisable at $0.13 and expiring 1 December 2023	1,000,000
- exercisable at $0.0375 and expiring 3 March 2025	3,000,000
- exercisable at $0.0525 and expiring 3 March 2025	3,000,000

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	M261SA, 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	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	G27/0002, M27/0039, M27/0200, M27/214, M27/0216, L27/0057, L27/0058, L27/0059, L27/0074, L27/0075, L27/0077, L27/0078, L27/0095, L27/0096, L24/0219, L24/0222	100%

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

G. Nickel Projects Mineral Resource Statement

Nickel Sulphide Resources	JORC Compliance	Cut Off Grade	MINERAL RESOURCE CATEGORY															
			MEASURED			INDICATED			INFERRED			TOTAL						
			Tonnes (Kt)	Ni% Grade	Ni Metal (t)	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	0.4%	800	0.78	7,000	15,100	0.73	111,000	10,400	0.69	71,000	26,300	0.72	189,000	0.02	4,000	0.03	7,900
Silver Swan	2012	1.0%	-	-	-	138	9.00	12,450	8	6.00	490	146	8.80	12,940	0.16	240	0.36	530
Golden Swan	2012	1.0%	-	-	-	112	4.70	5,200	48	2.20	1,050	160	3.90	6,250	0.08	120	0.30	480
Silver Swan Tailings	2012	NA	675	0.92	6,200	-	-	-	-	-	-	675	0.92	6,200	0.07	460	0.04	270
Stockpiles	2012	0.4%	-	-	-	1,200	0.49	5,900	400	0.53	1,900	1,600	0.50	7,800	NA	NA	NA	NA
LAKE JOHNSTON PROJECT																		
Maggie Hays	2012	0.8%	-	-	-	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	0.9%	-	-	-	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	0.8%	-	-	-	722	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	-	NA	-
TOTAL																		
Total Ni, Co, Cu Resources	2004 &2012		**1,475**	**0.84**	**13,200**	**23,600**	**0.98**	**233,500**	**17,000**	**1.03**	**176,000**	**42,100**	**1.00**	**422,700**	**0.02**	**7,800**	**0.05**	**18,300**

Note: totals may not sum exactly due to rounding. NA = Information Not Available from reported resource model.

- ***Black Swan Resource** as at 7 June 2023 (see ASX announcement "Updated Resource provides more Nickel at Black Swan" released 7 June 2023)*
- ***Silver Swan Resource** as at 27 April 2022 (see ASX announcement "Updated Silver Swan Resource underpins significant increase in high-grade Indicated resource base" released 27 April 2022)*
- ***Golden Swan Resource** as at 27 October 2021 (see ASX announcement "Golden Swan Maiden Resource" released 27 October 2021).*
- ***Silver Swan Tailings Resource** as at 15 September 2021 (see ASX announcement "Silver Swan Tailings – Maiden Resource Estimate" released 15 September 2021)*
- ***Stockpile Resource** as at 22 July 2014 (see ASX announcement "Poseidon Announces Black Swan Mineral Resource" released 4 August 2014)*
- ***Maggie Hays Resource** as at 17 March 2015 (see ASC announcement "50% Increase in Indicated Resources at Lake Johnston" released 17 March 2015)*
- ***Mt Windarra Resource** as at 7 November 2014 (see ASX announcement "Poseidon Announces Revised Mt Windarra Resource" released 7 November 2014)*
- ***South Windarra and Cerberus Resource** as at 30 April 2013 (see ASX announcement "Resource Increase of 25% at Windarra Nickel Project" released 1 December 2011*

H. Nickel Reserves Statement

Nickel Sulphide Reserves	JORC Compliance	Proved/Probable	Tonnes (Kt)	Ni% Grade	Ni Metal (t)	Co % Grade	Co Metal (t)	Cu % Grade	Cu Metal (t)
BLACK SWAN PROJECT									
Black Swan	2012	Proved	579	0.7	4.2	NA	NA	NA	NA
		Probable	2,608	0.7	17.7	NA	NA	NA	NA
Silver Swan	2012	Proved	-	-	-	NA	NA	NA	NA
		Probable	179	5.0	9.0	NA	NA	NA	NA
Golden Swan	2012	Proved		-	-	NA	NA	NA	NA
		Probable	100	4.0	4.0	NA	NA	NA	NA
Total Ni Reserves	2012	Proved	579	0.7	4.2	NA	NA	NA	NA
		Probable	2,887	1.1	30.7	NA	NA	NA	NA
		Total	3,466	1.0	34.9	NA	NA	NA	NA

Note: totals may not sum exactly due to rounding. NA = Information Not Available from reported resource model.

- *Black Swan Reserve, Silver Swan Reserve and Golden Swan Reserve as at 21 November 2022 (see ASX announcement "Positive Black Swan Feasibility Study" released 21 November 2022)*

The Company is not aware of any new information or data that materially affects the information in the relevant market announcements. All material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

I. Gold Projects Ore Resource Statement

Windarra Gold Tailings Project North and South Dams Mineral Resource – JORC 2012 Tabulation

INDICATED							
	Tonnes (t)	AU (g/t)	Au (oz)	Ag (g/t)	As (ppm)	CU (ppm)	Ni (ppm)
North Dam	3,902,000	0.78	98,000	1.9	1,805	365	975
South Dam	850,000	0.50	14,000	0.6	645	355	2,533
Total	4,752,000	0.73	112,000	1.7	1,600	363	1,250

Windarra Gold Tailings Project Central Dam Mineral Resource – JORC 2012 Tabulation

INDICATED						
	Tonnes (t)	AU (g/t)	Au (oz)	As (ppm)	CU (ppm)	Ni (%)
Central	6,198,000	0.37	74,000	435.0	270	0.3

Lancefield Gold Tailings Mineral Resource – JORC 2012 Tabulation

INDICATED AND INFERRED							
	Tonnes (t)	AU (g/t)	Au (oz)	Ag (g/t)	As (ppm)	Cu (ppm)	Ni (ppm)
Indicated	1,210,084	1.27	49,278	3.61	2,789	314	70
Inferred	337,964	1.20	13,063	3.48	2,951	269	57
Total	1,548,048	1.23	62,341	3.58	2,824	304	67

Windarra Gold Tailings North and South Dams Resource: *no cut-off grade has been used to report the resource, as potential mining method dictates removal of the entire dams. a dry bulk in situ density of 1.6 t/m3 has been used to derive tonnages. resource numbers in the above table may not sum exactly due to rounding.*

Windarra Gold Tailings central Dam Resource: *No cut-off grade has been used to report the resource, as the potential mining method dictates removal of the entire dam down to a specified elevation. The mineralisation has been reported above a flat elevation of 446 mRL; there are tailings below this level but these have been shown by drilling to contain no gold, and it is anticipated that the proposed mining method will not treat material below this elevation. A dry bulk in situ density of 1.6 t/m3 has been used to derive tonnages. Resource totals may not sum exactly due to rounding.*

Windarra Gold Tailings Resource as at 22 June 2020 (see ASX announcement "Gold Tailings Resource at Windarra updated to JORC 2012 Indicated" 22 Jun 2020).

Lancefield Gold Tailings Resources as at 23 July 2021 (see ASX Announcement "Windarra Gold Tailings DFS Highlights Robust Project" 23 July 2021).

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