

ASX Announcement

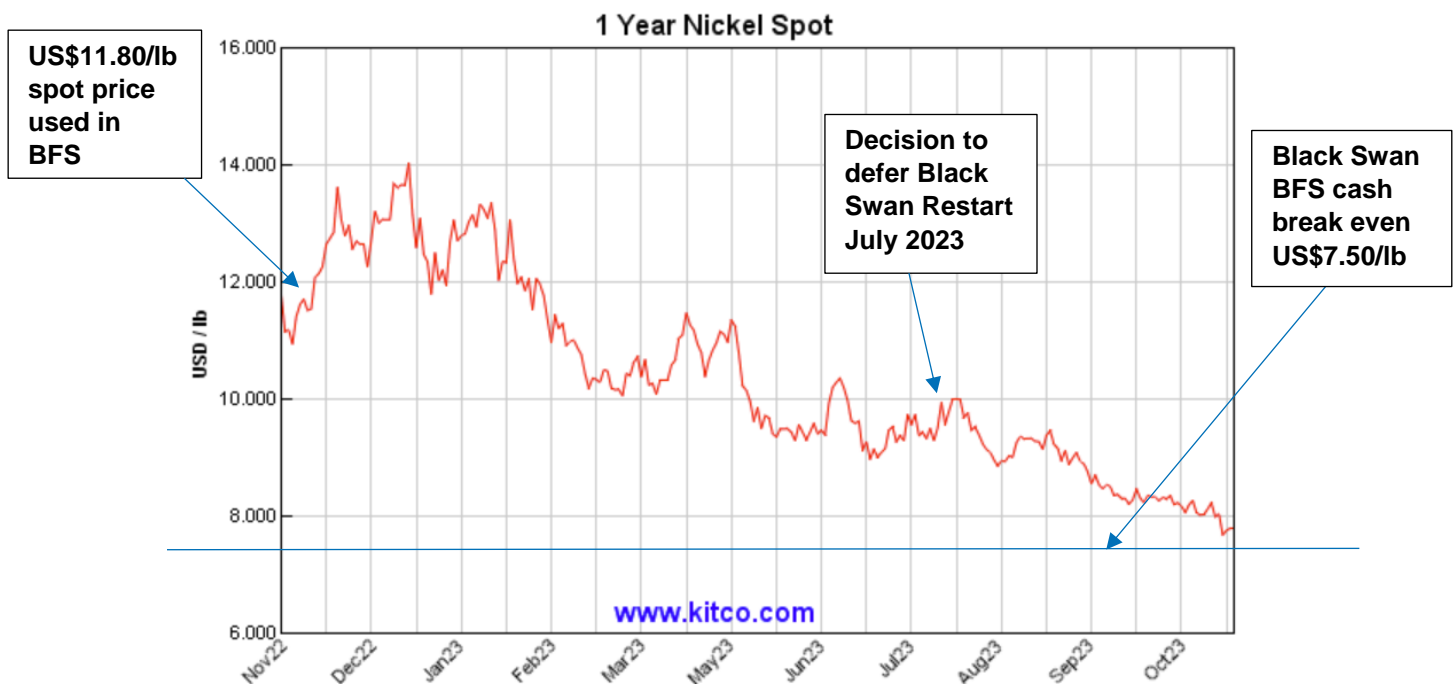
22 November 2023

CHAIRMAN'S ADDRESS 2023 POS AGM

Dear Shareholders,

I am pleased to be here today with my fellow directors, Warren Hallam and Peter Muccilli, in my new role as Non-Executive Chairman of Poseidon after 3½ years as Managing Director & CEO of the Company. I look forward to working with Craig Jones, our new CEO, the rest of our executive team and the board, to deliver value for our shareholders from the assets we have.

The past year saw us achieve a significant milestone with the release of the Black Swan Bankable Feasibility Study and since then we have made solid progress towards life of mine offtake and debt funding. We had been moving steadily towards the Final Investment Decision for the Black Swan restart earlier in the year, however at the same time the nickel price was softening considerably and global equity markets became more volatile.



These factors, together with various project related items, lead us to make the decision in July 2023 to defer the Black Swan project restart. The spot nickel price and equity markets have continued to decline since July and the short-term outlook for nickel remains subdued due to the rapid ramp up in new production from Indonesia together with softening demand due to global recession fears. We expect the nickel price to improve once the global interest rate tightening cycle peaks and nickel demand growth accelerates. This should provide a more favourable environment for the project's restart. In the meantime, we need to preserve our assets, while continuing to progress our strategic goals which are to:

- maintain Black Swan on care and maintenance at a level that will allow us to quickly proceed to FID and take advantage of any future sustained nickel price upswing;

- continue to increase our resource and reserves through targeted exploration; and
- assess business development opportunities that enhance shareholder value.

We remain committed to restarting Black Swan at the right time and continue to look for ways to enhance the project, including the Black Swan Expansion Project Prefeasibility Study. The Expansion Project is based on mining both the serpentinite and talc carbonate ore from the open pit and producing a rougher concentrate with a 5-6% nickel grade and higher magnesium oxide content 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 in concentrate would increase by operating the mill closer to the 2.2Mtpa nameplate capacity. The mine life could also be extended due to the ability to expand the reserve by treating the talc carbonate material which is not included in the current ore reserves.

In July 2023, we saw the value of greenfields exploration programs with the drilling that tested a series of shallow nickel targets along the Western Ultramafic Unit at Lake Johnston. Positive drill results at Maggie Hays West have enhanced its prospectivity where an open-ended mineralised channel target is interpreted up to 400m wide, corresponding to a discrete magnetic feature. Other greenfields targets were also identified along the Western Ultramafic that warranted further drilling.

A follow up program at Lake Johnston commenced in September 2023 to further define these targets and provide additional information ahead of us undertaking deeper drilling. This drilling program was completed recently and we are waiting on final assay results to further define the opportunity at Maggie Hays West. **Our geological team rate the potential for a new high-grade resource at Lake Johnston as high.**

In parallel, an independent geological review on the Windarra organic opportunities has been recently completed. A series of quality, walk up, and shallow nickel targets were validated after reviewing historic geological and geophysical reports. We plan to update our shareholders in the near future on these opportunities.

Poseidon has a strategic tenement portfolio within Western Australia with published nickel resources, reserves, processing infrastructure on care and maintenance and importantly, a portfolio of quality shallow greenfield nickel sulphide targets identified at Lake Johnston and at Windarra. The combination of existing resources, milling capacity and exploration potential is a key point of difference to many of our peers. Hence there is a credible case to continue our exploration efforts testing these shallow targets given we are highly leveraged to any new discovery.

We are also undertaking a review of the lithium prospectivity of our Lake Johnston tenements given the heightened level of activity in close proximity to us.

Windarra also has the gold tailings project, which is attractive at the current spot A\$ gold price, a large nickel resource and a significant water inventory in the South Windarra pit, all of which are of interest to various parties. We have been in discussions with a number of groups and will consider all proposals that can unlock value for our shareholders.

The decision to defer the restart of Black Swan has led us to reduce costs within the business. To do that, we made some significant personnel changes to lower the corporate overhead while preserving the knowledge base of the Company. I transitioned from Managing Director to Non-Executive Chair, Craig Jones was appointed CEO while Derek La Ferla and Dean Hildebrand retired from the board. We also revised the care and maintenance operating model at Black Swan which has resulted in a material reduction in annual operating costs without impacting the restart timetable. Combined cost reductions from these initiatives total over \$3 million on an annualised basis. These were not easy decisions, however they were necessary given the environment we are in and are in the best interests of the Company. I would like to take this opportunity to thank both Derek and Dean for their contribution to the Company during their time as Directors.

In relation to executive and board remuneration approximately 73.3% of eligible shareholder votes supported the adoption of the 2022 financial year Remuneration Report at last year's AGM. Unfortunately because slightly more than 25% of shareholders (only 1.7%) voted against the adoption of the Remuneration Report, the

Company incurred a 'first strike' pursuant to Section 250R of the Corporations Act. The Company takes shareholder feedback seriously and following the 2022 AGM the Company undertook a process to consider and address the various points raised and determined the following actions to be taken:

- Engagement of an independent external remuneration advisor, The Reward Practice, to provide guidance and advice regarding some of these concerns raised by shareholders and other stakeholders.
- Consideration of 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 any changes required for the structure of remuneration for the 2024 financial year.

As a result of the review by The Reward Practice and discussions between the board and executives we have made changes to both the STI and LTIs for executives going forward to ensure they are better aligned with shareholders expectations.

We are now a slimmed down board, have lower corporate and care and maintenance operating costs and are well positioned to keep Black Swan moving towards an FID when the nickel price and equity markets are more favourable. In the meantime, we will continue to explore for more high-grade nickel resources, focus on the lithium potential at Lake Johnston and review other internal and external opportunities.

It's important to note almost all nickel explorers, developers and producers listed on the ASX have suffered a significant reduction in share price and market capitalisation over the past 12-24 months due to the weakening nickel price and external market factors. Poseidon was not immune from these headwinds. Notwithstanding, we acknowledge the disappointment from our shareholders in terms of our share price performance. The Poseidon Board and management remain fully committed to the restart of Black Swan and advancing the various exploration programs we have planned for our assets. Our CEO will go through his plans for the business in his presentation after the formal closure of the AGM.

In closing, I am very proud of what we have achieved over the past 3½ years which includes:

- Discovery of the Golden Swan high-grade orebody;
- Delivery of the Windarra/Lancefield gold tailings Feasibility Study;
- Repaying the US\$17.5M debt to Black Mountain to become debt free;
- Raising significant new equity to allow the Company to progress;
- The technical breakthrough that allows us to produce smelter grade concentrate that improves nickel payability and increases the number of potential buyers of that material;
- Delivery of the Black Swan Bankable Feasibility Study on the 1.1Mtpa smelter grade project;
- The strong interest in offtake and debt funding for the Black Swan project;
- Building and retaining a top-class board and executive team in a very competitive environment; and
- The identification of a potential new mineralised system at Maggie Hays West.

As a would-be nickel producer we are beholden to the nickel price and in the words of a well-known nickel market analyst, Jim Lennon, in his 7 November Desk Strategy report he says *"It has been a torrid year for nickel producers who have been facing more or less continuous falls in prices since the start of the year. **Based on current prices, we estimate that almost a third of the industry is cash flow negative (using an LME price of US\$18,000/t and discounts of US\$5,500/t for ferronickel and US\$6,500/t for nickel pig iron).** However, the middle of the cost curve is so flat **that a fall in LME prices to below US\$15,000/t would push a further 35-40% of the industry into loss making,** suggesting a considerable support for prices well above US\$15,000/t and probably in the US\$17-18,000/t range. A flood of new Indonesian supply has overwhelmed the market starting with nickel pig iron/ferronickel, moving onto nickel sulphate and now enveloping the class 1 metal market as new Chinese and Indonesian metal refining capacity hits the market.*

The new class 1 refining capacity in China is mostly based on converting matte from Indonesia into class 1 and at current matte prices, needs US\$17,000-18,000/t to break even suggesting this could be a floor for LME pricing in the coming year."

Surely this current nickel price is unsustainable and hopefully Jim is right and we see the price improving beyond 2023.

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



Peter Harold
Chairman

22 November 2023

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About Poseidon Nickel Limited

Poseidon Nickel Limited (ASX Code: POS) is a nickel sulphide exploration and development company with three projects located within a radius of 300km from Kalgoorlie in the Goldfields region of Western Australia and a resource base of around 400,000 tonnes of nickel and 180,000 ounces of gold.

Poseidon's strategy is focused on the exploration and eventual restart of its established nickel operations in Western Australia where project risk capital and operating costs are low. A critical element of this strategy has been to acquire projects and operations with high levels of geological prospectivity likely to lead to potential substantial extension of the operation's life through the application of modern exploration techniques.

Poseidon owns the Windarra, Black Swan and the Lake Johnston Nickel Projects. In addition to the mines and infrastructure including concentrators at Black Swan and Lake Johnston, these projects have significant exploration opportunities demonstrated by the discovery of the Abi Rose deposit at Lake Johnston and the recent discovery of the Golden Swan mineralisation at Black Swan. The Company is also undertaking a Definitive Feasibility Study on retreating the gold tailings at Windarra given the strength of the A\$ gold price.