

QUARTERLY REPORT

31 DECEMBER 2017

COMPANY OVERVIEW

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

Poseidon has a proven track record in discovering new ore bodies, securing existing operations and applying a novel and inventive approach to unlocking capital. This has been demonstrated by the discovery of lithium on our wholly owned tenements at Lake Johnston and the ability to reinvent our processing plants to recover minerals in addition to nickel, copper, cobalt, gold & silver providing an exciting opportunity to enhance value to shareholders through commodity diversification.

The Company's vision is to redevelop its existing mines, recommission the process plants and restart production, build on its exploration success and acquire long life strategic assets with the aim of becoming a major diversified resource company managed by an experienced management team. The Company initially plans to restart operations at Silver Swan when the nickel market improves. This will be followed by Black Swan, Lake Johnston and Windarra.

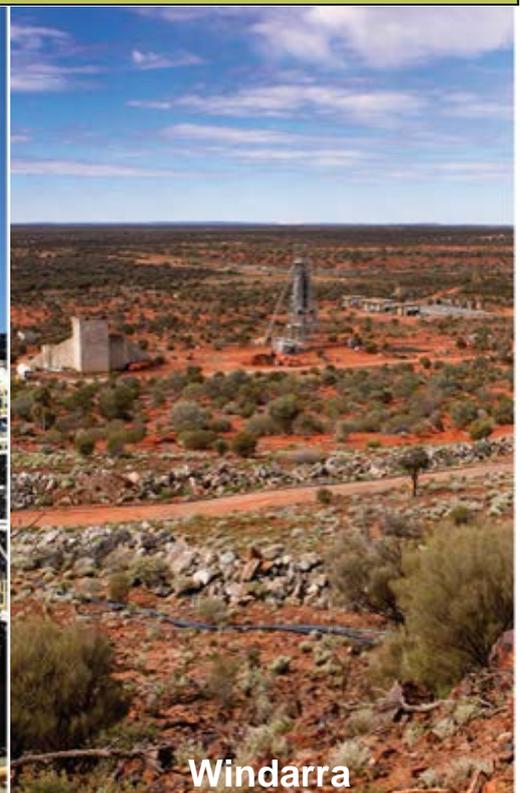
ASX Code: POS



Lake Johnston



Black Swan



Windarra

COMPANY MILESTONES

- All regulatory approvals for the restart of Silver Swan secured
- Preparation for the restart of Silver Swan high grade nickel mine continues
- Silver Swan underground mining contract tender document preparation progressed
- Integrated Silver Swan & Black Swan restart study commissioned
- Off-take discussions with refiners and traders resume for Silver Swan product
- Regulatory approvals and engineering studies for co-processing nickel & gold at Black Swan progressed
- Abi Rose nickel exploration programme under active consideration
- Lake Johnston lithium drilling programme approved
- Lithium downstream refining discussions progress with Korean interests
- Patents office acknowledge receipt of co-processing patents for nickel and lithium
- MOU's entered into with gold and lithium companies progressing
- Windarra State Agreement Termination progressed

OVERVIEW

The global demand for electric vehicles and green energy storage has sparked a renewed interest in key commodities required to drive the energy transformation such as battery metals lithium, cobalt, and nickel. Electric vehicle battery manufacturers, traders and investors have demonstrated an appetite to secure positions on the physical metals and or invest directly in Companies that hold these strategic commodities. Poseidon holds a diversified basket of battery metals and has seen a resurgence of interest in the Company. During the December quarter a number of domestic and international investors contacted the Company to obtain an update on Poseidon's plans for 2018.

Poseidon welcomes the changing sentiment in the nickel market especially given the prolonged period of historically depressed nickel pricing that has stalled the Company's plans to restart its operations in Western Australia. As a consequence of the renewed interest returning to the nickel market Poseidon is seeking to actively engage with investors to update them on Poseidon's medium term plans for the restart of its world class assets with a specific focus on the initial restart of Silver Swan underground mining operations.

Recently during an investor meeting Glencore stated that the nickel market fundamentals are the best they have seen since 2006/07 with consensus approaching an increase in nickel consumption for the green energy transformation approaching 500,000 tonnes of nickel per year by 2025. The nickel supply and demand balance for 2018 forecasts a deficit of approximately 100,000 tonnes of nickel.

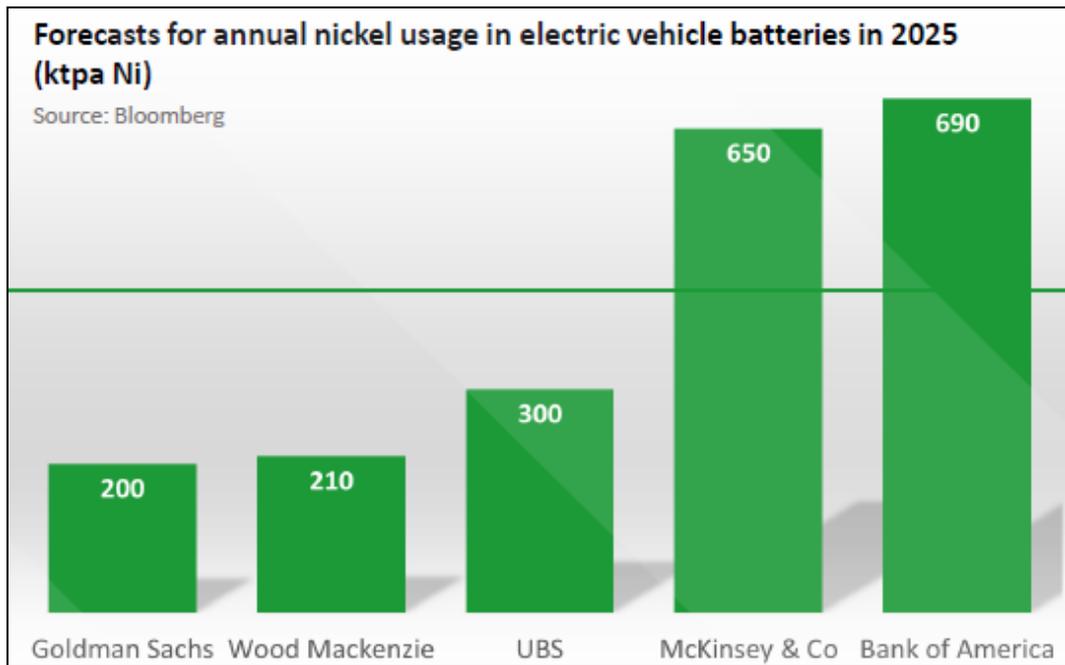


Figure 1: Green Energy Revolution Metal Winners (source Bloomberg)

The Company believes the nickel market fundamentals will continue to improve over the mid to long term as the green energy disruptive technology is embraced by regulators and consumers, consequently, Poseidon is progressing preparations for the restart of Silver Swan high grade underground nickel mine as a priority. Poseidon recently completed a Definitive Feasibility Study (DFS) for the restart of the high grade Silver Swan underground mine. With a resource grade of 9% nickel, Silver Swan represents a low risk, low operating and capital cost quick start opportunity to allow Poseidon to shift from a junior explorer to emerge as a nickel producer.

During the quarter the Company completed an engineering study to refurb and install equipment to support co-processing nickel and gold at the Black Swan Operations. The cost estimate is aligned with previous work. Co-processing offers an advantage compared to a stand-alone nickel operation with lower than forecast cash costs achieved through improved equipment utilisation and efficiencies.

Poseidon progressed a collaborative study for the downstream processing of nickel and cobalt sulphide concentrates through to battery grade chemicals. The initial stage of the scoping study concluded the capital and operating cost estimate to refine concentrate through to battery grade nickel and cobalt sulphates. The study outcomes will be considered further with a focus on optimising the flowsheet.

Several previously reported strategic agreements with third parties are developing. Poseidon has progressed non-binding memorandum of understanding (MOU) agreements with various parties in a difficult nickel market. Since entering into the MOU's the nickel market sentiment has materially improved. In light of the changing nickel market sentiment the Company plans to review the agreements.

During the quarter the Board considered two exploration programmes for both lithium and nickel. Following a review of the exploration programmes the Company announced it had secured Board support to complete the first stage lithium exploration programme at Lake Johnston, to complete 4,000m of reverse circulation (RC) drilling. A site visit of a European lithium mine was also completed during the quarter as off-take discussions progress with third parties. Given the level of investor interest, a site visit of the Lake Johnston Medusa lithium exploration areas will be facilitated next quarter.

Future nickel exploration on Abi Rise remains under active consideration by the Company with a final decision expected next quarter.

The termination of the State Act over the Windarra tenements is progressing. The Windarra tailings resource was updated during the quarter to include silver credits. The resource includes 183,000oz and 670,000oz of gold and silver respectively. The tailings project remains a project of interest once the State Act is terminated.

SILVER SWAN UPDATE

In an improving nickel market Poseidon plans on restarting the high grade Silver Swan underground nickel mine. Silver Swan DFS key metrics are tabled (see Table 1 & 2 below), ASX release Silver Swan Definitive Feasibility Study 26th May 2016.

Key Production Physicals	
Life of Mine (LOM) (yrs)	~2
Ore Tonnes Mined (kt)	147
Ore Tonnes Delivered (tpy)	73,000
ROM diluted nickel head grade (%)	5.8
Nickel metal (kt)	8.8

Table 1: Silver Swan DFS Key Physicals

Project Commercial Metrics	
Revenue ¹ (A\$m)	\$120.70
C1 Cash Costs ² US\$/lb-Ni	\$2.05
AISC Cash Costs ³ US\$/lb-Ni	\$3.10
Breakeven Nickel Price US\$/lb-Ni	\$4.63
Restart Capital (A\$m)	\$25.00
Net Cash Flow (A\$m)	\$34.70
NPV ₁₀ (A\$m)	\$27.80
IRR ₁₀	204%

Table 2: Silver Swan DFS Key Commercial Outcomes

¹ Unless otherwise stated, all cash flows are in Australian dollars and not subject to inflation or escalation factors. A nickel price of US\$6.50/lb has been assumed and an exchange rate of AUD:USD of 0.70.

² C1 cash costs means operating cash costs including mining, processing, geology, OHSE, site G&A, concentrate transport, royalties, less by-product divided by nickel in concentrate produced (100% payable basis).

³ All-in-sustaining cash costs are C1 cash costs plus mine development and sustaining capital.

With an ore reserve grade of 6% nickel, the direct shipment of high grade nickel ore mined from Silver Swan is competitive with restarting the Black Swan process plant and offers a low risk path to market consequently the Company plans to restart Silver Swan and deliver high grade ore to a third party.

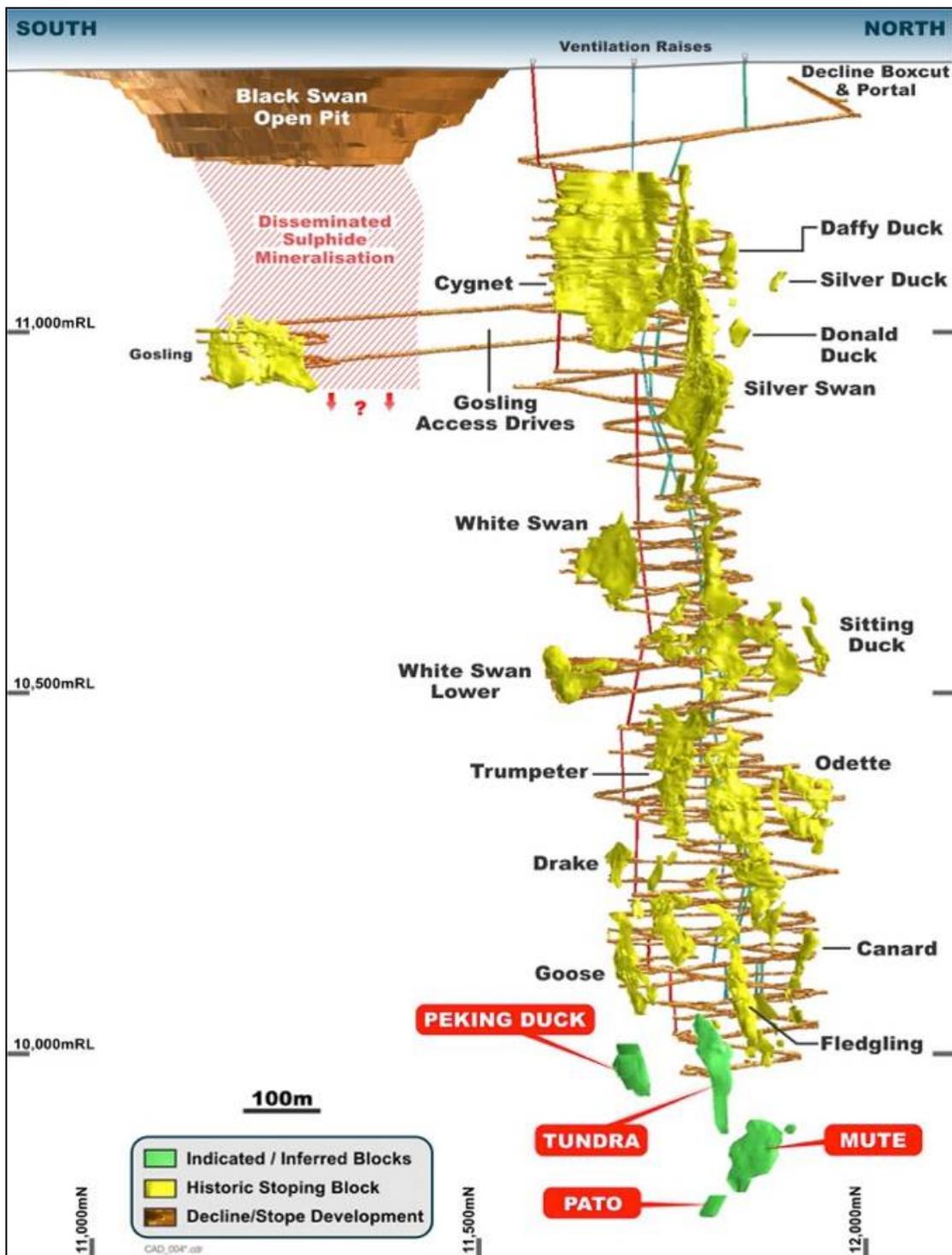


Figure 2: Silver Swan Mineralised Zones

BLACK SWAN UPDATE

The Company is progressing a detailed feasibility study (DFS) for the integrated restart of the Black Swan process plant and open pit mine that adds a further 3 year mine life (without a cut back) of the open pit. Furthermore there is over 8,000 tonnes of contained nickel in stockpiled ore available to be recovered when the Black Swan process plant is restarted. The combined reserve at Black Swan is over 20,000 tonnes of contained nickel metal therefore the integrated project offers a low risk long life investment. The integrated Black Swan study outcomes will underpin an expansion in mine life.



Figure 3: Black Swan Process Plant



Figure 4: Black Swan open Pit (development at the bottom of existing pit)

LAKE JOHNSTON LITHIUM EXPLORATION

During the December quarter the Company approved a lithium exploration programme at Lake Johnston to explore the Medusa Lithium Project. Medusa is located 190km south-west of Kalgoorlie and 6km north of the Company's 100% owned Lake Johnston process plant and infrastructure. To date Poseidon has completed lithium research on Maggie Hays and Emily Ann drill core, rock chip sampling, surface geochemistry, aerial magnetics and radiometrics followed by metallurgical testwork. The exploration work completed confirmed a number of high priority lithium exploration targets and the Company now plans to complete an initial 4,000m of RC drilling to test these pegmatites for lithium-tantalite bearing minerals.

The Company has previously completed metallurgical testwork on lithium hosted pegmatites and confirmed the Lake Johnston process plant can be utilised to produce a high grade lithium concentrate. Kidman Resources (Kidman) also completed engineering to support the restart of the Lake Johnston concentrator including the refurbishment of the plant and infrastructure which was aligned with a previous estimate completed by Rapallo in 2015.

Poseidon maintains a significant portfolio of tenements in the Lake Johnston region which are prospective for lithium hosted pegmatites. The Medusa Lithium Project lies in a highly prospective area with several ASX listed companies exploring and developing lithium mines in the region (see Figure 5). Kidman lies 70km west of Medusa, Galaxy lies 120kms south and Bald Hill lies 150 west of Medusa. Other Companies exploring the Lake Johnston Greenstone belt for lithium include Lontown, White Cliffs and Pioneer. The Company plans to confirm the prospective nature of the Medusa Project by drill testing for lithium bearing pegmatites.

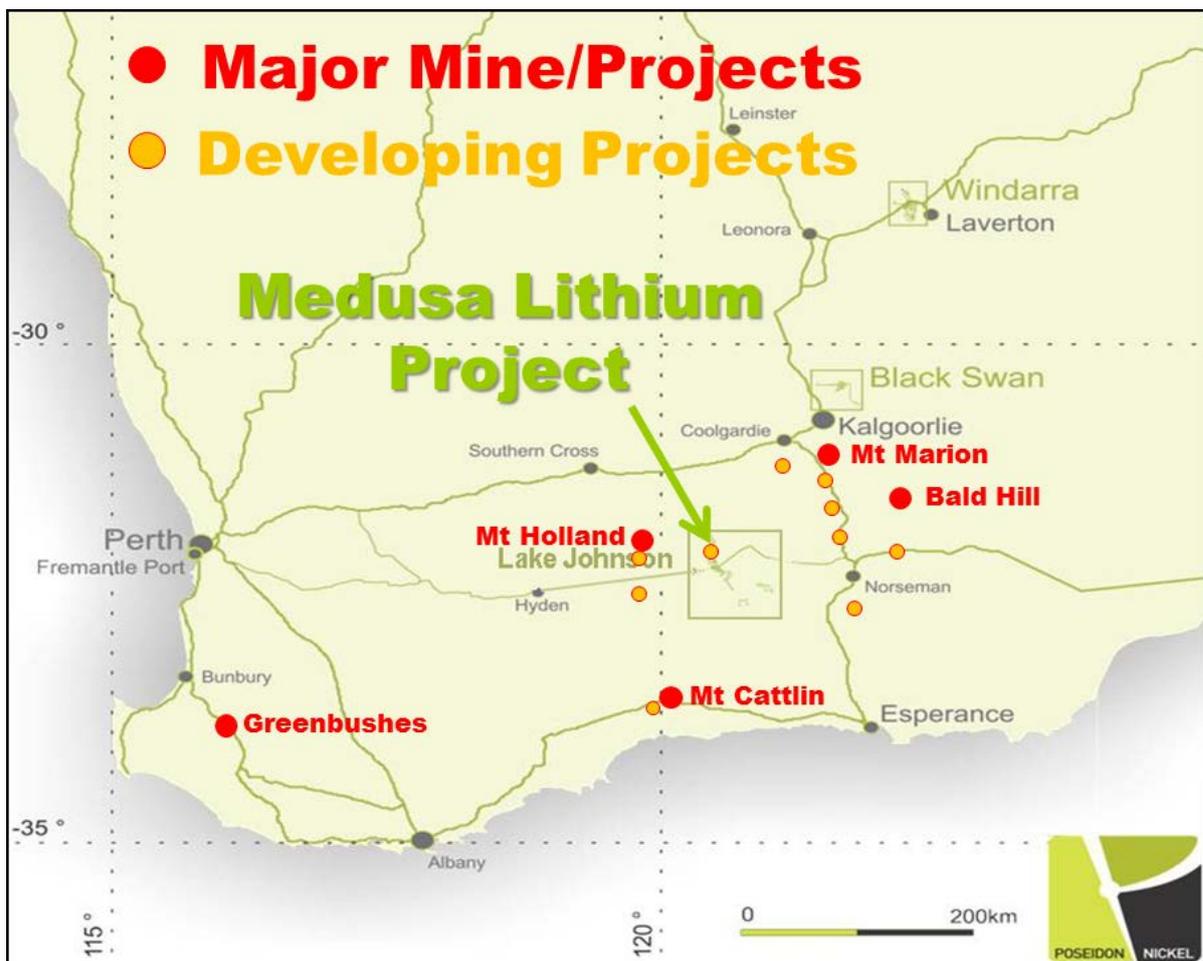


Figure 5: Location of the Medusa Lithium Project Relative to Advanced Lithium Projects

During the exploration phase the Company trialled and purchased a Bruker pXRF unit which has been calibrated with the Li-Index algorithm which predicts lithium oxide (Li_2O_5) grades using elemental ratios associated with LCT bearing pegmatites. This proved successful during the trial phase as well as subsequent testing on samples from numerous lithium bearing deposits. The Bruker pXRF calculates lithium grades within acceptable ranges for mapping and initial sampling prior therefore the Company will utilise the pXRF tool during the drilling campaign to analyse the drill samples prior to submitting them to the laboratory for accurate analysis. This will fast-track geological understanding and infill drill hole planning as laboratory results which can take 4-6 weeks to process.

Poseidon completed soil sampling and surface geochemistry analysis over the project area and Figure 6 demonstrates the results of geochemical modelling that applies innovative science to establish the prospectivity or “fertility” of specific areas, supporting that Lake Johnston regional area is fertile for lithium hosted pegmatites. This unique geological modelling process returned multiple calculated Li-Index anomalies of greater than 200ppm and up to 650ppm Li-Index from soil sample over the area.

The Company also completed detailed aerial magnetic and radiometric surveys over the area resulting in the definition of numerous highly prospective lithium exploration targets (Figure 7). Subsequent field checking/mapping of the defined pegmatite outcrop trends supports the position and trends of many of the defined radiometric/soil anomaly targets. The radiometric survey also highlights potential new target zones in the south of the area which had previously not been identified.

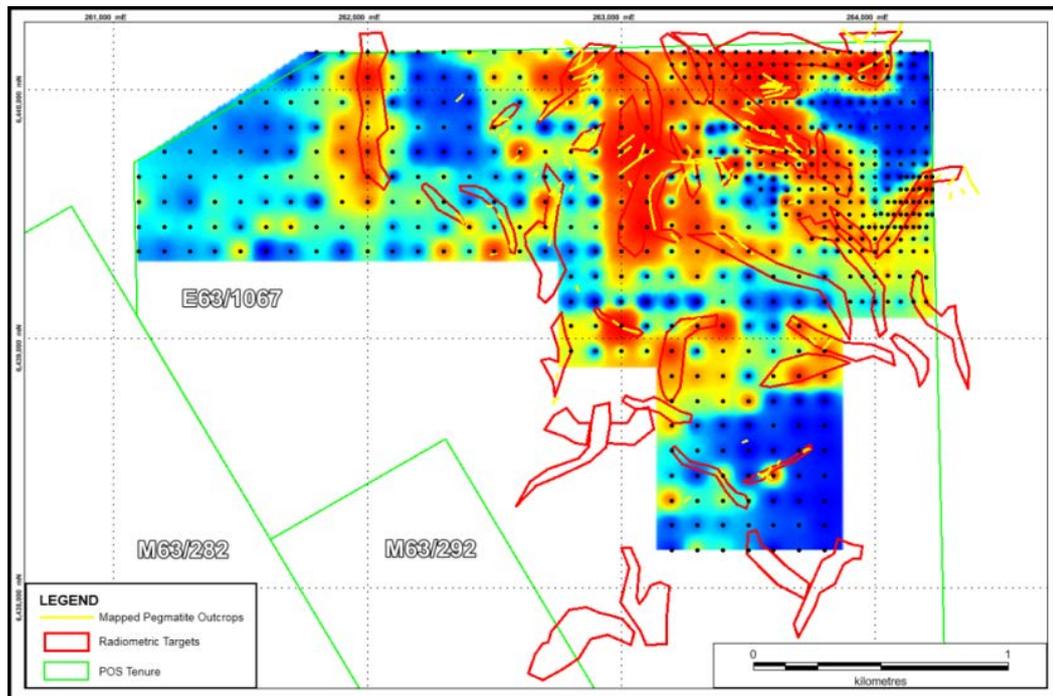


Figure 6: Soil geochemistry sample locations within E63/1067 coloured by Lithium-Index and showing prospective pegmatite target zones that have been targeted during field investigation and are ready to be drill tested

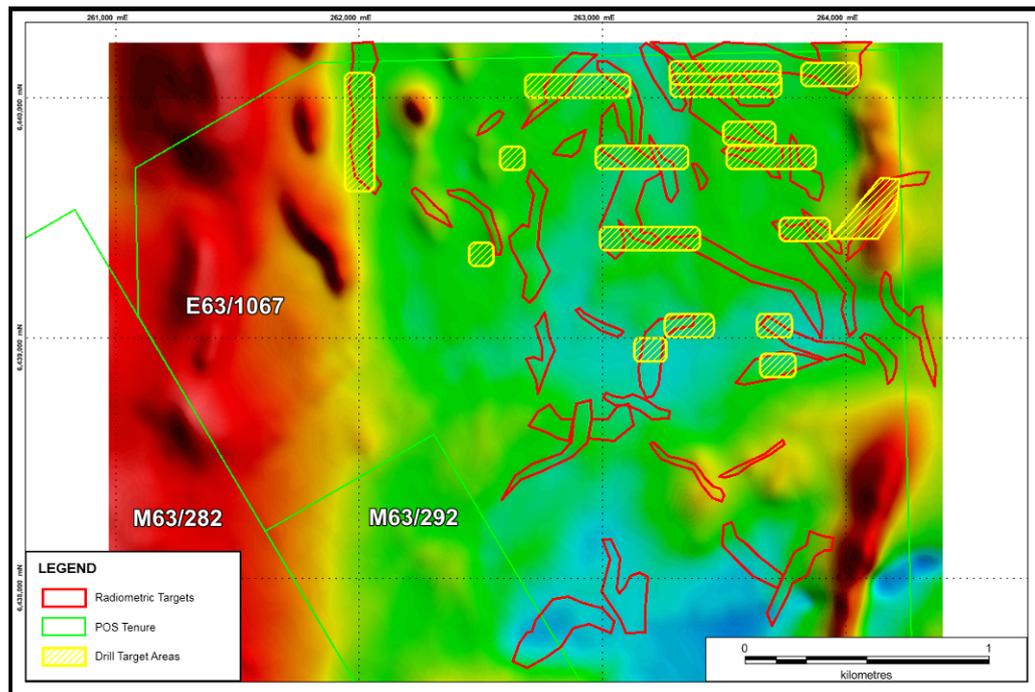


Figure 7: Drill targets (yellow hatched areas) overlie TMI image and the coincident defined radiometric-soil anomalies (red)



Figure 8: Initial line clearing for mapping access and drill targeting has been completed.

Line clearing, mapping and drill target refinement was completed (Figure 8) in preparation for the drilling program comprising of ~4,000m of RC drilling, which commenced in January 2018.

During the quarter Poseidon progressed discussions with Lithium Australia (LIT). The relationship with LIT remains positive and constructive. As Poseidon had secured the necessary regulatory approvals to support the proposed exploration programme when internal approval for the programme was secured progressing the drilling exploration became a high priority.

Combining exploration resources with LIT remains of interest to both parties as it will improve the prospectivity for discovering a commercial lithium deposit on the combined tenement package

and consistent with the Company's stated strategy of establishing Lake Johnston, with all of its existing plant and infrastructure (Figure 9), as a central lithium processing hub.

Poseidon maintains a portfolio of tenements in the Lake Johnston region which are prospective for lithium hosted pegmatites. The tenements are adjacent to a substantial package held by LIT exploring for lithium in the area.



Figure 9: Lake Johnston Process Plant

ABI ROSE NICKEL PROJECT

The Abi Rose Nickel Project is located just 1km north of the Company's Lake Johnston process plant and infrastructure. The discovery follows a science based re-interpretation of the local geology aligned with the Flying Fox extension discovered by Western Areas. The Company's Board is considering recommencing diamond core drilling at the Abi Rose nickel discovery in light of the recent improvements in the market and the strong outlook for EV/battery demands. The Abi Rose nickel project was discovered in early 2016 (ASX: Significant High Grade Nickel Intersection at Emily Ann North, 25/1/2016). Three carefully targeted diamond drill holes were completed in 2015-2016, 360m north of the Emily Ann mine under an EIS co-funded grant. This resulted in the discovery of the high-grade Abi Rose nickel mineralisation 390m below the surface, with a best intersection of **10.48m grading 3.20% Ni** which includes a massive sulphide base grading **2.32m at 7.62% Ni** (Figure 10).

As part of the lithium exploration program, an airborne geophysical survey was completed which also covered the Abi Rose nickel discovery in the south of the survey area. The images returned from the aerial magnetic survey (Figure 11) shows that Abi Rose sits on a large north-south structural feature which will be targeted to better understand the controls on the nickel mineralisation and potential extend prospectivity of the zone. The discovery of this new lens of nickel mineralisation has the potential to develop into a commercially viable project as it is located close to the existing Emily Ann Mine infrastructure and the Lake Johnston nickel concentrator.



Figure 10: Drill Core from the Abi Rose High Grade Nickel Discovery 2016

Defining a nickel resource at Abi Rose will support a low capital cost restart of the mine as Emily Ann has an existing box cut and decline substantially reducing the capital cost to develop the high grade nickel underground mine at Abi Rose. For example the capital cost of a box cut is estimated at A\$5 to \$7m and mine development costs for a new decline is between A\$5,000 to \$7,000 per lineal metre compared to refurbishing an existing underground mine where the costs based on Poseidon experience at Windarra lie between A\$1,000 to \$2,000 per lineal metre which represents a significant capital cost reduction in establishing a new underground nickel mine and also offers a fast start to market.

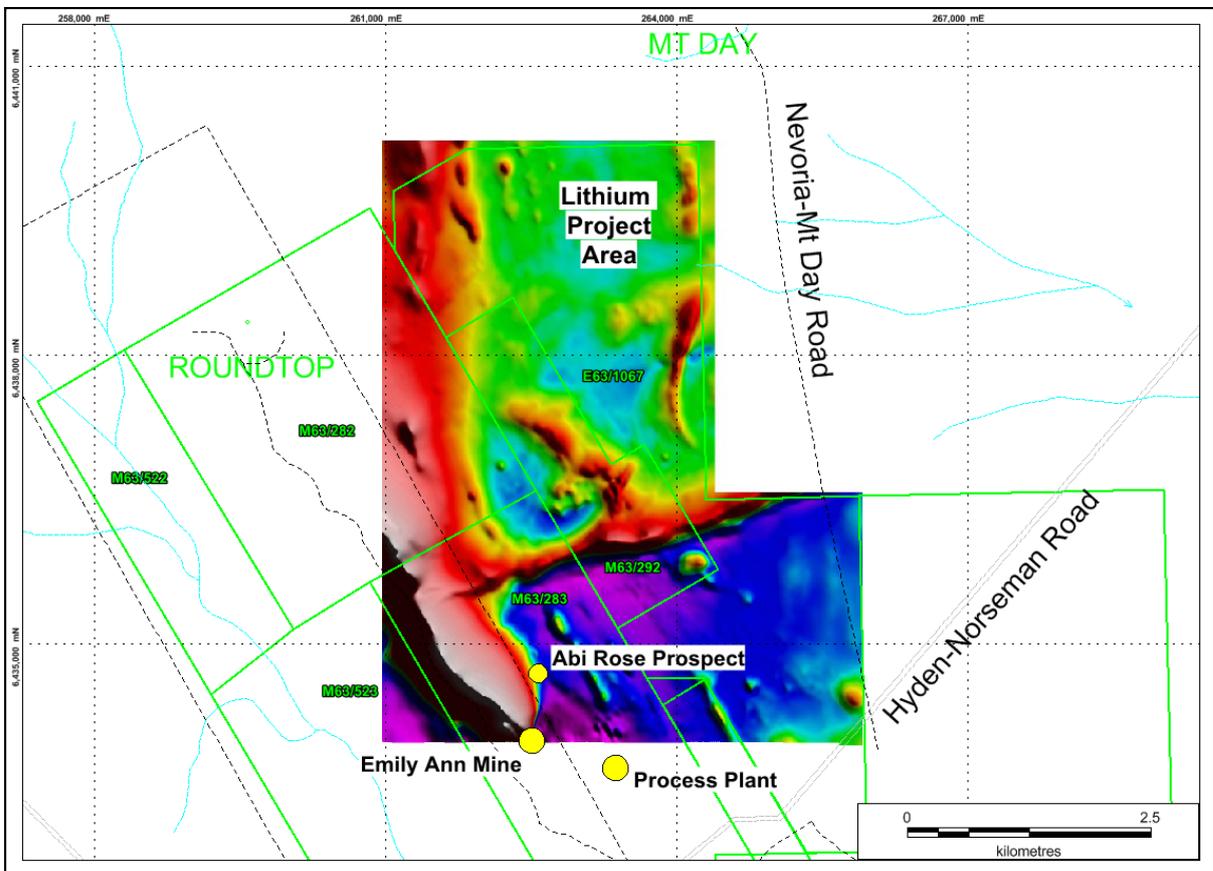


Figure 11: Aerial magnetic survey area showing Total Magnetic Intensity (TMI) image, prospect locations and tenement boundaries

WINDARRA NICKEL PROJECT

Windarra remains under care & maintenance. With approximately 150,000 tonnes of nickel in resource and a 10 year mine life the Windarra Nickel Project remains a cornerstone asset of the Company in the Northern region of the stated 3 nickel provinces that Poseidon operates in, that is Black Swan & Silver Swan - Central Nickel Province and Lake Johnston – Southern Nickel Province.

The termination of the State Agreement over the Windarra tenements is progressing. The Company is seeking to terminate the State Agreement to allow the gold tailings to be processed. Under the State Act securing the regulatory approvals are challenging and the Company believes it is in its best interest to terminate the State Agreement and operate under the mines Act.

During the quarter the Company updated its mineral resource to include silver credits. The Windarra gold tailings resource stands at 183,000oz and 670,000oz of gold and silver respectively. The tailings retreatment projects is also a compelling investment opportunity.

FINANCIAL

As at 31st December 2017, the Company had cash on hand of A\$3.9 million. For the December quarter, the Company has elected to settle the interest due to Jefferies LLC for the Convertible Note in shares in order to preserve cash reserves.

The Company continues to utilise the mechanism set up in September 2015 for selling shares to an intermediary. The exact quantum of funds received depends on the success of the intermediary in selling those shares to investors. The issue of shares has raised A\$2.9 million after fees during the quarter.

During the December quarter the Company received a refundable tax offset of A\$680K under the Research and Development (R&D) Tax Incentive Scheme and continues to focus on R&D activities to support novel & inventive co-processing options, improving efficiencies and reducing the barriers to restart the Company's assets.

CORPORATE

The Company continues to focus on restarting its shut operations in an improving nickel market. As a priority the Company plans to restart Silver Swan the World's highest grade underground nickel mine. Silver Swan offers a low risk, low operating, low capital cost quick restart.

The Company issued 10,055,053 Fully Paid Ordinary Shares to Jefferies LLC having elected to settle interest payable on the US\$17.5 million Convertible Note in shares for the September quarter.

Poseidon also issued 80,000,000 Fully Paid Ordinary Shares to professional and sophisticated investors, via an intermediary, in order to fund ongoing holding costs of its strategic assets at Black Swan, Lake Johnston and Windarra. Holding two of the largest concentrators in Western Australia (second only to BHP) and with one of the largest nickel resources in Australia the holding costs are material.

In line with Poseidon's policy to only pay Directors fees in performance rights in order to retain the cash reserves of the Company, 2,774,571 Unlisted Performance Rights were issued in lieu of Directors fees for the September quarter under the terms of the Director Fees Performance Rights Plan. The performance rights were issued on 14th November 2017 at a deemed issue price of A\$0.0268 based upon the volume weighted average sale price ("VWAP") for the 92 days prior to the expiration of the quarter. The payment of performance rights was approved by shareholders at the Annual General Meeting held on 9th November 2017.

A further 2,168,235 Unlisted Performance Rights were issued to the Chairman in relation to additional part time duties undertaken in the absence of a CEO for the September quarter as approved by shareholders at the Annual General Meeting held on 9th November 2017.

The Company has suspended the Short and Long Term Incentive Plans under which bonuses could be paid in shares to certain employees upon the attainment of certain goals. The plans were considered too complex, incurred administrative costs and subject to misinterpretation. Only four employees remained in them. In future where the Board considers bonuses appropriate these will be paid in cash and reported in the annual report as such. The Long Term Incentive Plan continues for the 4 employees with respect to goals set in 2016/2017 and earlier.

MARKET INFORMATION

Below (Table 3) is a graph that highlights the Poseidon enterprise value based on market cap in AUS\$ divided by the Company’s JORC compliant resource. Relative to its peers such as Mincor and Panoramic, Poseidon appears to be undervalued.

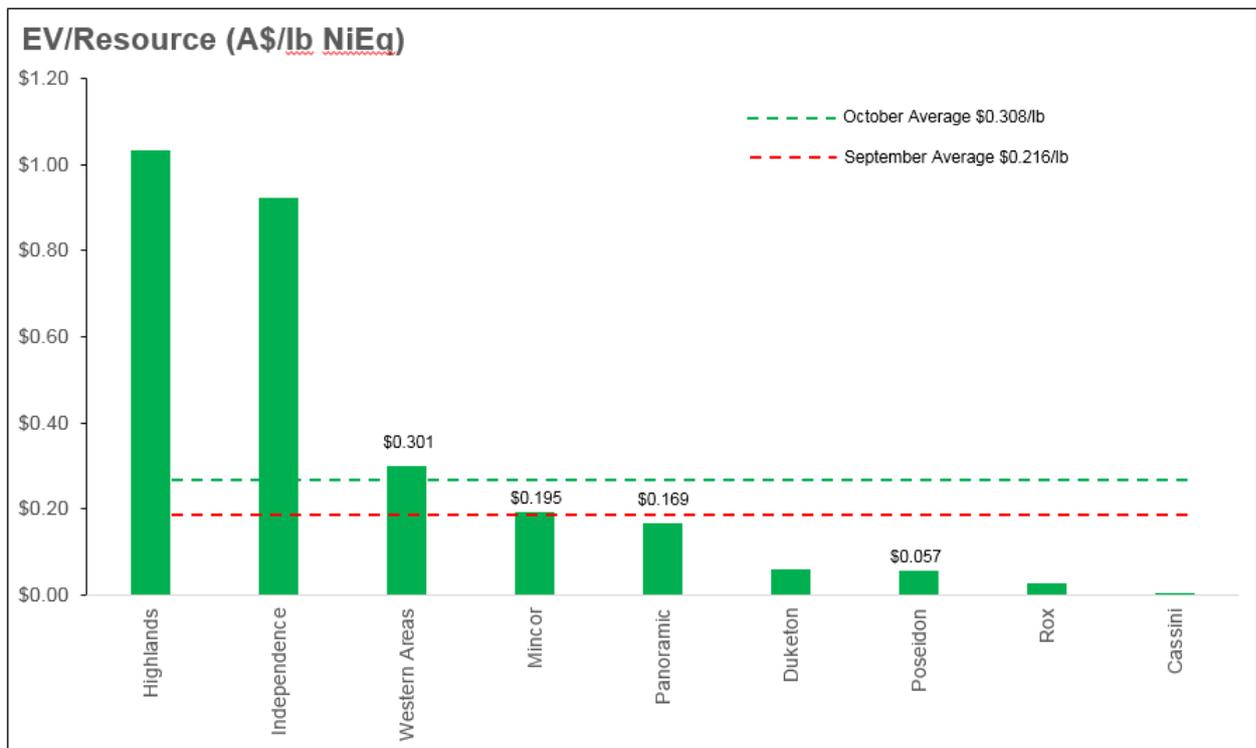


Table 3: Peer Group EV/lb- Ni in Resource Peer Comparison

The Company is expecting the nickel market to improve in the mid-term. There is no question the rise of electric vehicles will grow to dominate the primary refined nickel market. In turn, this will likely threaten the low grade nickel pig iron producers as they struggle to adapt to higher long term LME pricing.

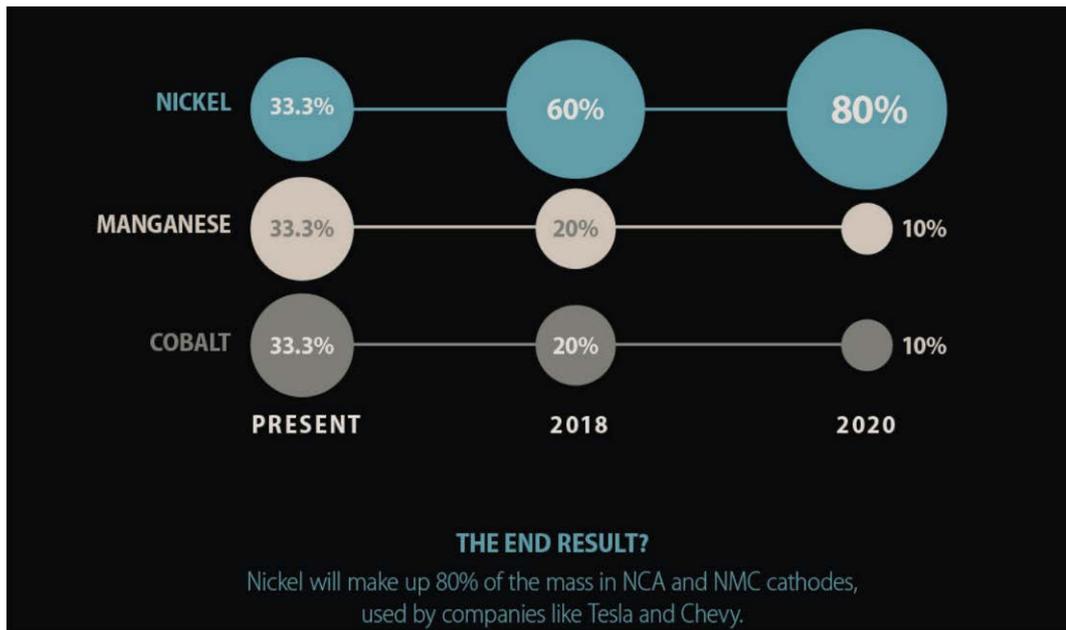


Figure 12: Forecast Nickel Growth for Electric Vehicle Battery Metals

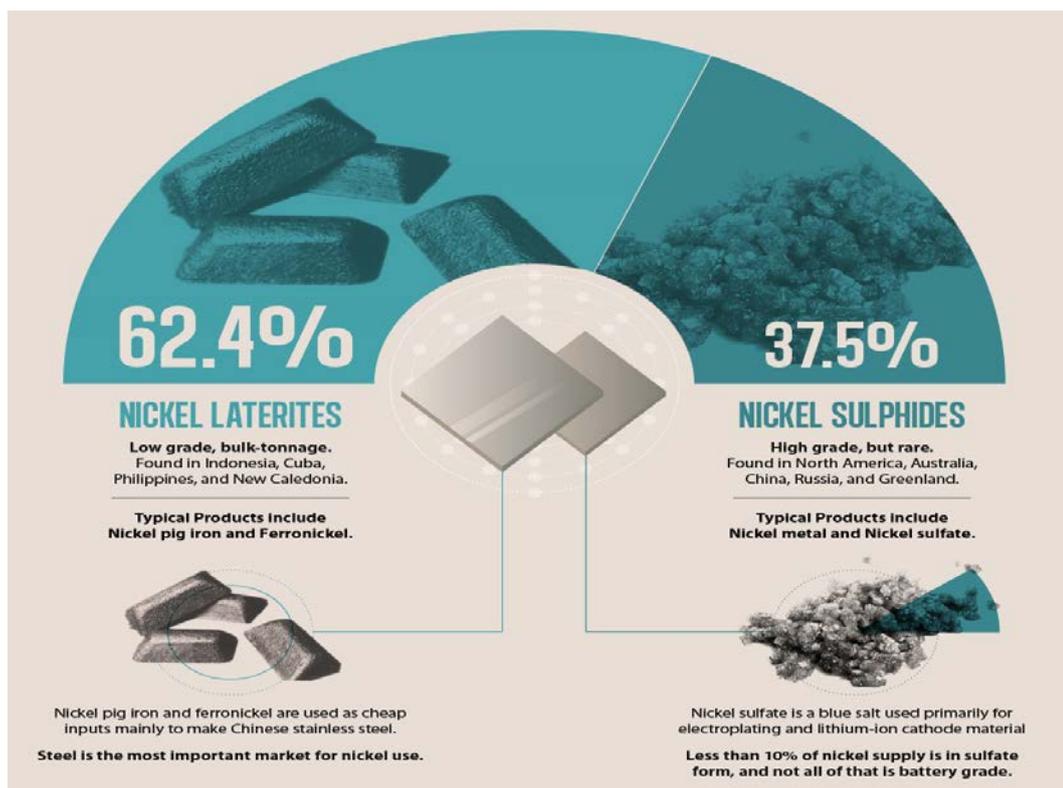


Figure 13: Differentiating Rare High Grade Nickel Sulphides from Low Grade Laterites

The bifurcation within the nickel market will see rare high grade sulphide concentrates attract a premium over direct shipped nickel laterite ores that will likely remain locked into the nickel pig iron market driven by China for the production of low grade stainless steels not suitable for the manufacture of battery grade nickel and cobalt sulphates, compared to primary refined nickel that can be used to produce high purity battery grade chemicals.

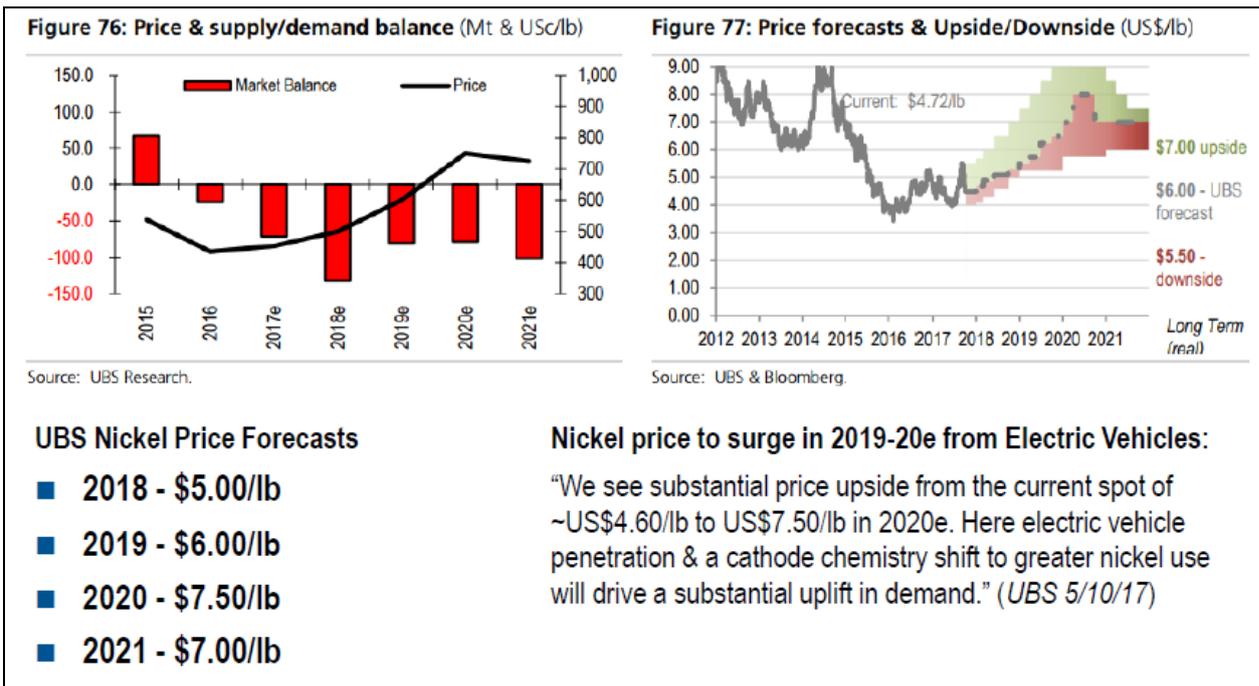


Figure 14: Nickel Supply and Demand Forecasts

Source: UBS – 5 October 2017

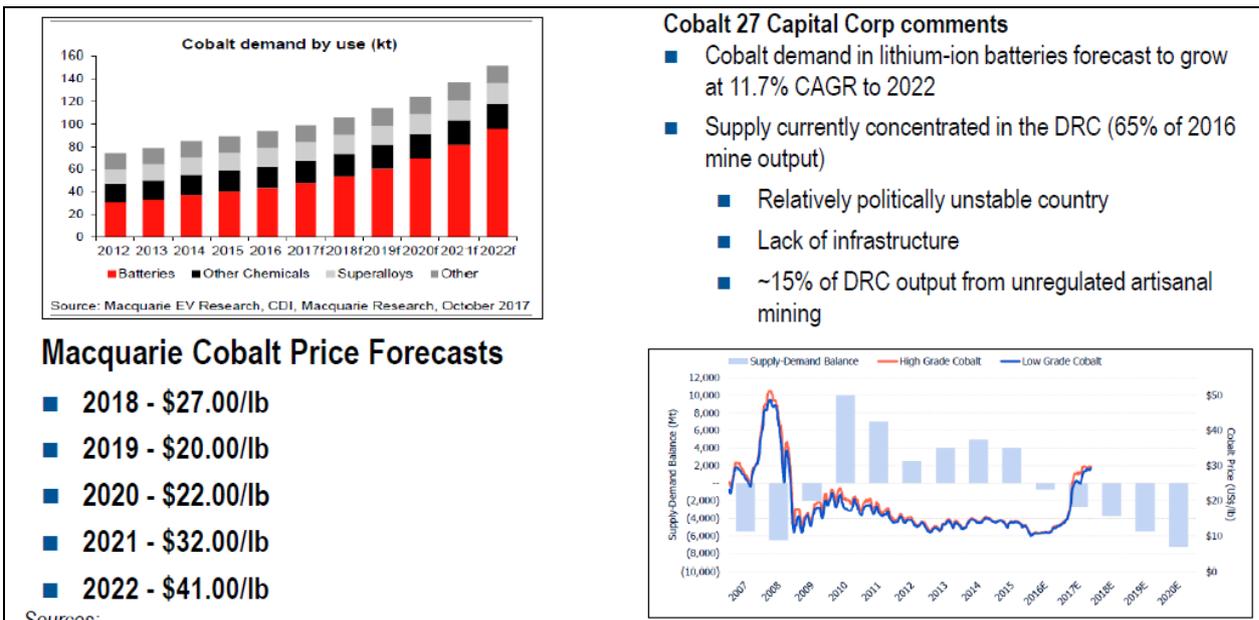


Figure 15: Cobalt Supply and Demand Forecasts

Source: UBS – 5 October 2017

Figure 16 below shows the underlying correlation between Poseidon’s share price and the LME Nickel price over the last 12 months. Figure 17 highlights the Company’s share price performance relative to its peers. Poseidon has spent most of the last 12 months bouncing along the bottom confirming its share price is under-valued.

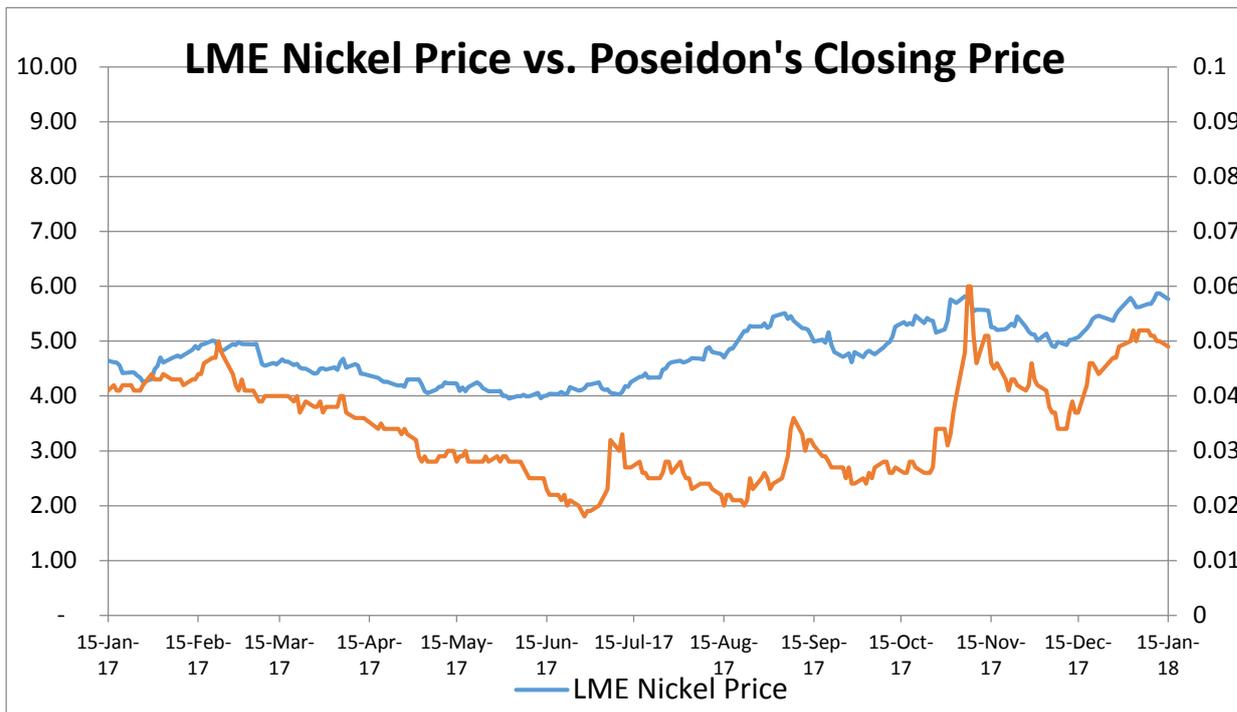


Figure 16: Poseidon share price graph compared to LME Nickel price

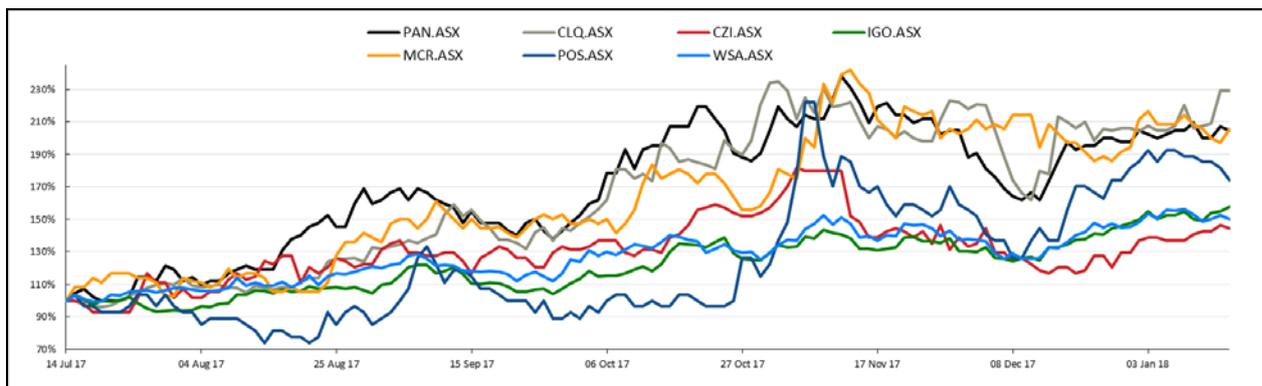


Figure 17: Poseidon share price graph compared to Peers

With a spread of over 8,000 individual shareholders the Company's stock is very liquid turning over an average of approximately 5m shares per day or A\$7m per month. At approximately 13% Andrew Forrest remains the Company's largest single shareholder.

Michael Rodriguez
Chief Operating Officer

31 January 2018

CORPORATE DIRECTORY					
Director / Senior Management			Principal & Registered Office		
Chris Indermaur	Non-Executive Chairman		Unit 8, Churchill Court		
David Singleton	Non-Executive Director		331-335 Hay Street		
Geoff Brayshaw	Non-Executive Director		SUBIACO WA 6008		
Robert Dennis	Non-Executive Director		T: +61 8 6167 6600		
Eryn Kestel	Company Secretary		F: +61 8 6167 6649		
Corporate & Media Enquiries			Shareholder Enquiries		
T: +61 8 6167 6600			Personal shareholding queries should be addressed to:		
F: +61 8 6167 6649			Computershare Investor Services		
E: admin@poseidon-nickel.com.au			GPO Box D182, Perth WA 6840		
			T: +61 8 9323 2000		
Home Exchange					
The Company's shares are listed on the Australian Securities Exchange and the home exchange is Perth.					
ASX code : POS					

MINERAL RESOURCE STATEMENT

Table 1: Nickel Projects Mineral Resource Statement

Nickel Sulphide Resources	JORC Compliance	Cut Off Grade	MINERAL RESOURCE CATEGORY												
			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 PROJECT															
Black Swan	2012	0.40%	9,600	0.68	65,000	21,100	0.54	114,000	30,700	0.58	179,000	0.01	4,200	NA	-
Silver Swan	2012	4.50%	52	9.19	4,800	84	9.01	7,600	136	9.08	12,400	0.17	250	0.45	600
LAKE JOHNSTON PROJECT															
Maggie Hays	2012	0.80%	2,600	1.60	41,900	900	1.17	10,100	3,500	1.49	52,000	0.05	1,800	0.10	3,400
WINDARRA PROJECT															
Mt Windarra	2012	0.90%	922	1.56	14,000	3,436	1.66	57,500	4,358	1.64	71,500	0.03	1,200	0.13	5,700
South Windarra	2004	0.80%	772	0.98	8,000	-	-	-	772	0.98	8,000	NA	-	NA	-
Cerberus	2004	0.75%	2,773	1.25	35,000	1,778	1.91	34,000	4,551	1.51	69,000	NA	-	0.08	3,600
TOTAL															
Total Ni, Co, Cu Resources	2004 & 2012		16,720	1.01	168,700	27,300	0.82	223,200	44,020	0.89	391,900	0.05	7,450	0.10	13,300

Note: totals may not sum exactly due to rounding

NA = information Not Available from reported resource model.

The Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.

Table 2: Gold Tailings Project Mineral Resource Statement

Gold Tailings Resources	JORC Compliance	Cut Off Grade	MINERAL RESOURCE CATEGORY				
			TOTAL INDICATED				
			Tonnes (Kt)	Au Grade (g/t)	Au (oz)	Ag Grade (g/t)	Ag (oz)
WINDARRA GOLD TAILINGS PROJECT							
Gold Tailings	2004	NA	11,000	0.52	183,000	1.9	670,000
TOTAL							
Total Au Resources	2004		11,000	0.52	183,000	1.9	670,000

Note: totals may not sum exactly due to rounding.

ORE RESERVE STATEMENT

Table 3: Nickel Projects Ore Reserve Statement

Nickel Sulphide Reserves	JORC Compliance	ORE RESERVE CATEGORY						
		PROBABLE						
		Tonnes (Kt)	Ni% Grade	Ni Metal (t)	Co% Grade	Co Metal (t)	Cu% Grade	Cu Metal (t)
SILVER SWAN PROJECT								
Silver Swan Underground	2012	57	5.79	3,300	0.11	60	0.26	150
TOTAL								
Total Ni Reserves	2012	57	5.79	3,300	0.11	60	0.26	150

Note:

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

COMPETENT PERSON STATEMENTS:

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

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

The information in this report which relates to the Silver Swan Mineral Resource is based on, and fairly represents, information compiled by Neil Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists and Ian Glacken who is a full time employee of Optiro Pty Ltd and is a Fellow of the Australasian Institute of Mining and Metallurgy. The information in this report which relates to the Silver Swan Ore Reserve is based on, and fairly represents, information compiled by Matthew Keenan who is a full-time employee of Entech Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy.

The information in this report which relates to the Lake Johnston Mineral Resource is based on, and fairly represents, information compiled by Neil Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists and Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy. The information in this report which relates to the Lake Johnston Ore Reserves Project is based on, and fairly represents, information compiled by Matt Keenan who is a full time employee of Entech Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy.

The information in this report that relates to Mineral Resources at the Windarra Nickel Project and Gold Tailings Project is based on, and fairly represents, information compiled by Neil Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists and Ian Glacken who is a full time employee of Optiro Pty Ltd and is a Fellow of the Australasian Institute of Mining and Metallurgy. The Windarra Project contains Mineral Resources which are reported under JORC 2004 Guidelines as there has been no Material Change or Re-estimation of the Mineral Resource since the introduction of the JORC 2012 Codes. Future estimations will be completed to JORC 2012 Guidelines.

Mr Hutchison, Mr Glacken, Mr Weeks, and Mr Keenan all have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code 2012). Mr Hutchison, Mr Glacken, Mr Weeks, and Mr Keenan have consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

FORWARD LOOKING STATEMENT – INFERRED RESOURCE STATEMENTS:

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

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

FORWARD LOOKING STATEMENTS:

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

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

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

TENEMENTS

Mining Tenements Held as at 31 December 2017

Areas of Interest	Tenements	Economic Entity's Interest
Western Australia		
- Windarra Nickel Assets	MSA 38/261, G38/21, L38/121, L39/184, L38/199, L38/218, L39/221	100%
- Windarra South	L38/119, L38/122, L38/220	100%
- Woodline Well	M39/1075, L39/224	100%
- Pool Well	M38/1244, M38/1245, L38/118	100%
- Lake Johnston Nickel Assets	E63/1067, E63/1135, 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	E27/0357, M27/0039, M27/0200, M27/0214, M27/0216, L27/0057, L27/0058, L27/0059, L27/0074, L27/0075, L27/0077, L27/0078, L24/0219, L24/0222	100%

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

Mining Tenements Disposed during the December 2017 Quarter

Nil

Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements during the December 2017 Quarter

Nil

Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements Acquired or Disposed of during the December 2017 Quarter

Nil

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Poseidon Nickel Limited

ABN

60 060 525 206

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(879)	(2,031)
(b) development	-	-
(c) production	-	-
(d) staff costs	(64)	(260)
(e) administration and corporate costs	(514)	(657)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	7
1.5 Interest and other costs of finance paid	(30)	(61)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	680	680
1.8 Other – sundry income	32	81
1.9 Net cash from / (used in) operating activities	(771)	(2,241)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	8
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	8

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,974	4,483
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(38)	(55)
3.5 Proceeds from borrowings	138	138
3.6 Repayment of borrowings	(24)	(55)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	3,050	4,511

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,619	1,620
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(771)	(2,241)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	8
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,050	4,511
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	3,898	3,898

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,887	1,608
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other – Term Deposits	11	11
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,898	1,619

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
-
-

On 14 November 2017, 4,942,806 unlisted performance rights were issued to Non-Executive Directors as approved by Shareholders at the November 2017 Annual General Meeting. For further details refer to the Appendix 3B announcement released on 15 November 2017.

These have not been included in the above cash flow.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	US\$17,500	US\$17,500
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Unsecured Convertible Note held by Jefferies LLC – interest rate of 5% per annum, denominated in US\$ and repayable on 30 September 2020 with a conversion price of AU\$0.09 per share.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	1,200
9.2 Development	-
9.3 Production	-
9.4 Staff costs	75
9.5 Administration and corporate costs	275
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,550

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Director)

Date: 31 January 2018

Print name: Geoff Brayshaw

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.