



# **POSEIDON NICKEL LIMITED**

ABN 60 060 525 206

## **Annual Financial Report For the year ended 30 June 2019**

# Poseidon Nickel Limited

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# Poseidon Nickel Limited

## Corporate directory

ABN: 60 060 525 206  
Incorporated in Australia

### **Directors**

Mr G Brayshaw  
Mr K Paganin  
Ms F Gooding

### **Interim Chief Executive Officer**

Mr D Riekie

### **Company Secretary (Joint)**

Ms E Kestel  
Mr B Shalders

### **Registered Office**

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331-335 Hay Street  
Subiaco WA 6008

Website: [www.poseidon-nickel.com.au](http://www.poseidon-nickel.com.au)

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Telephone: +61 8 6167 6600

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### **Postal Address**

PO Box 190  
West Perth WA 6872

### **Auditors to the Company**

KPMG  
Chartered Accountants  
235 St George's Terrace  
Perth WA 6000

### **Share Registry**

Computershare Investor Services Pty Ltd.  
Level 11  
172 St George's Terrace  
Perth WA 6000

### **ASX Code**

Shares: POS

### **Country of Incorporation and Domicile**

Australia

**Poseidon Nickel Limited**  
**Directors' report**  
**For the year ended 30 June 2019**

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 2019 and the auditor's report thereon.

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Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2019

1. **Directors**

The directors of the Company at any time during or since the end of the financial year are:

| <b>Name, and independence status</b>   | <b>Experience, qualifications, special responsibilities and other directorships</b>  |
|--|--|
| <p><b>Mr Geoff Brayshaw</b><br/> <b>Independent Non-Executive Director and Interim Chairman</b></p> <p><i>Member of:</i><br/>           Audit &amp; Risk Management Committee and Remuneration, Nomination &amp; Diversity Committee</p> <p>Appointed 1 February 2008<br/>           Appointed as Interim Chairman on 1 October 2018</p> | <p>Mr Brayshaw had over 35 years' experience as a Chartered Accountant in public practice before retiring from practice in June 2005. He practiced primarily in audit and assurance, other areas of practice being corporate finance and litigation support. He gained wide experience in corporate and financial accounting for the exploration and mining industry, including iron ore and nickel.</p> <p>Mr Brayshaw is a Fellow of both the Institute of Chartered Accountants in Australia and the AICD and was National President of the ICAA in 2002. He was previously an independent Director and audit committee Chairman of both Fortescue Metals Group Limited and AVEA Insurance Limited and is a former member of the Board of the Western Australian Small Business Development Corporation.</p>  |
| <p><b>Mr Karl Paganin</b><br/> <b>Non-Executive Director</b></p> <p><i>Member of:</i><br/>           Audit &amp; Risk Management Committee</p> <p><i>Chairman of:</i><br/>           Remuneration, Nomination &amp; Diversity Committee</p> <p>Appointed 1 October 2018</p>  | <p>Mr Paganin graduated from the University of Western Australia with a Bachelor of Laws and a Bachelor of Arts.</p> <p>Mr Paganin practised with major national law firms and was then appointed as Senior Legal Counsel at the newly formed family company of the Holmes a Court family, Heytesbury Holdings where he spent 11 years. His roles varied from Senior Legal Counsel to Director of Major Projects, a role which involved having conduct of all major transactions within the Group.</p> <p>Subsequent to Heytesbury, he spent 15 years as a senior Investment Banker in Perth. In 2002, he joined Perth based Euroz Securities and established its Corporate Finance department.</p> <p>In 2010, he established and was Managing Director of GMP Australia Pty Ltd an affiliate of a Canadian resource specialist Investment Bank.</p> <p>Mr Paganin specialises in transaction structuring, equity capital markets, mergers and acquisitions and providing strategic management advice to listed public companies. He is currently a non-executive director of ASX Listed Southern Cross Electrical Engineering Limited and Veris Limited.</p> |
| <p><b>Ms Felicity Gooding</b><br/> <b>Non-Executive Director</b></p> <p><i>Member of:</i><br/>           Remuneration, Nomination &amp; Diversity Committee</p> <p><i>Chairman of:</i><br/>           Audit &amp; Risk Management Committee</p> <p>Appointed 1 October 2018</p>  | <p>Ms Gooding is the Chief Operating Officer and Chief Financial Officer of the Munderoo Group.</p> <p>A Fellow of the Institute of Chartered Accountants, Ms Gooding has more than 15 years' experience specialising in due diligence, mergers and acquisitions, and equity and debt financing across various sectors in Washington DC, Singapore and London.</p> <p>Ms Gooding has held senior positions at PwC, Diageo Plc and Fortescue Metals Group Ltd where she was instrumental in the raising of more than A\$5 billion for project expansion financing. Prior to joining Munderoo Ms Gooding was an executive at potash development company, Sirius Minerals Plc.</p>  |

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2019

1. Directors (continued)

| Name, and independence status   | Experience, qualifications, special responsibilities and other directorships  |
|---|---|
| <p><b>Mr Robert Dennis</b><br/> <b>Managing Director and CEO</b><br/> <i>Member of:</i><br/>           Audit &amp; Risk Management Committee and Remuneration, Nomination &amp; Diversity Committee</p> <p>Appointed 24 February 2014<br/>           Appointed as Managing Director and CEO on 1 August 2018</p> <p>Resigned 30 August 2019</p> | <p>Mr Dennis is a mining engineer with over 40 years' experience in the nickel, copper, gold and alumina industries and was Chief Operating Officer (COO) at Independence Group (IGO). In that role, Rob oversaw the development and successful commissioning of IGO's Nova Nickel Copper Project in Fraser Range.</p> <p>Following a seven year tenure with Poseidon as COO, Mr Dennis joined the Poseidon Board in February 2014. Previous experience includes senior roles with Adita Birla Minerals Ltd, Lionore Australia, Great Central Mines and Western Mining Corporation.</p>   |
| <p><b>Mr Christopher Indermaur</b><br/> <b>Chairman and Independent Non-Executive Director</b><br/> <i>Member of:</i><br/>           Audit &amp; Risk Management Committee<br/> <i>Chairman of:</i><br/>           Remuneration, Nomination &amp; Diversity Committee</p> <p>Resigned 1 October 2018</p>  | <p>Mr Indermaur has over 30 years of experience in large Australian companies in Engineering or Commercial roles. Amongst these roles he was the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd.</p> <p>Mr Indermaur holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University). He also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University. Mr Indermaur is a Director of Austal Ltd (ASB), a Director of Austin Engineering Ltd (ANG) and a Director of Centrex Metals Ltd (CXM).</p>   |
| <p><b>Mr David Singleton</b><br/> <b>Non-Executive Director</b><br/> <i>Member of:</i><br/>           Audit &amp; Risk Management Committee<br/>           Remuneration, Nomination &amp; Diversity Committee</p> <p>Resigned 1 October 2018</p>  | <p>Mr Singleton is the Chief Executive Officer of Austal, the world's largest aluminium shipbuilder and Australia's biggest defence exporter employing over 5,000 people around the world. Prior to the appointment to Austal, David was the CEO of Poseidon Nickel and Clough Limited both based in Western Australia.</p> <p>Prior to moving to Australia in 2003, David was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems based in London. Mr Singleton spent three years as the Chief Executive Officer of Alenia Marconi Systems and was based in Rome, Italy. Mr Singleton has served as a member of the National Defence Industries Council in the UK, and as a board member and Vice-President of Defence for Intellect. He has held Directorships with Quickstep Holdings, which is a technology based carbon fibre manufacturer to the Defence and Aerospace industry and also Austal ships, where he is now the CEO and MD, and is also a Director of Austin Engineering Ltd (ANG). Mr Singleton has international business experience in senior executive roles in Europe, USA and Australia and has a degree in Mechanical Engineering from University College London and has an Honorary Doctorate degree from Edith Cowan University.</p> |

# Poseidon Nickel Limited

## Directors' report (continued)

### For the year ended 30 June 2019

#### 2. Chief Executive Officer

Mr David Riekie was appointed Interim Chief Executive Officer on 2 September 2019. Mr Riekie has over 30 years of corporate and professional experience through a variety of executive and advisory roles in the industrial and resource sectors of Australia. He is a Member of the Australian Institute of Company Directors and has specialised in capital raising initiatives and development strategies for ASX-listed and unlisted entities.

He has operated in a variety of countries globally and has been directly responsible for successful capital raising, stakeholder engagement, acquisition and divestment programmes.

He has overseen, exploration and resource development, scoping and feasibility studies, production, optimisation and rehabilitation initiatives. He has a special interest in the energy and energy storage sector, primarily through energy storage minerals and commodities with specific knowledge of nickel, uranium oil and gas, graphite, lithium, nickel, copper and cobalt.

Mr Riekie is currently a Non-Executive Director of remote power generation and energy solutions specialist, Zenith Energy Limited and uranium production and exploration company Paladin Energy Limited.

#### 3. Company Secretary (Joint)

Ms Eryn Kestel was appointed Company Secretary on 31 August 2017 and Joint Company Secretary effective from 9 September 2019. Ms Kestel has a Bachelor of Business degree and is a Certified Practising Accountant with over 20 years' experience in dealing with listed companies, ASX, ASIC and corporate transactions.

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 over 16 years' experience in corporate finance, accounting, risk management and business development, predominately within the mining and mining services industries.

#### 4. 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 Management Committee Meetings |   | Remuneration, Nomination and Diversity Committee Meetings |   |
|----------------|-----------------|----|--|---|---|---|
|                | A               | B  | A  | B | A   | B |
| Mr G Brayshaw  | 21              | 21 | 5  | 5 | 2   | 2 |
| Mr R Dennis    | 21              | 21 | 5  | 5 | 2   | 2 |
| Mr K Paganin   | 13              | 13 | 4  | 4 | 1   | 1 |
| Ms F Gooding   | 13              | 13 | 4  | 4 | 1   | 1 |
| Mr C Indermaur | 7               | 7  | 1  | 1 | 1   | 1 |
| Mr D Singleton | 6               | 7  | -  | 1 | -   | 1 |

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

#### 5. Principal Activities

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

#### 6. Consolidated Results

The consolidated loss for the entity for the year ended 30 June 2019, after income tax is \$10,495,000 (2018: \$9,654,000).

**Poseidon Nickel Limited**  
**Directors' report (continued)**  
**For the year ended 30 June 2019**

**7. Operating and Financial Review**

**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.

During the September 2018 quarter the Company raised \$71,180,000 (net of costs) through the placement of shares to sophisticated and professional investors and a fully underwritten renounceable entitlement issue. This capital raising has put the Company in a strong financial position to implement its strategy to restart mining and processing at its Black Swan and Silver Swan operations pending improved market conditions. Subject to the successful restart program, the Company intends to restart its Lake Johnston and Windarra nickel operations utilising cash flow from the Black Swan operations.

Exploration drilling will also continue to augment existing resource inventory and potentially create longevity to the intended operations at Black Swan.

**Projects - Black Swan**

The Company's Black Swan Mine and processing facilities have continued to be well managed under an extended care and maintenance program. The first stage of the Silver Swan decline refurbishment was completed to enable diamond drilling of the Silver Swan resource to commence. In parallel, inspection and testing of ventilation systems and mine services have de-risked the planned restart of production operations. Work to repair a section of the mine's second means of egress has also been successfully completed paving the way for its overall refurbishment.

The Company successfully completed a diamond drilling program targeting disseminated mineralisation within the Black Swan deposit, 900m below the base of the open pit. The Black Swan disseminated deposit is separate but parallel to the Silver Swan massive sulphide deposit. This 1,004m drilling program's objective was to commence investigation of the opportunity to extend the currently known resources and reserves below the pit to depth, due to its very close proximity to the existing Silver Swan decline and ventilation / egress infrastructure.

Stage two of the drilling program has resulted in a revision of the Silver Swan inferred resource and an Underground RC drilling program has also commenced (refer to ASX announcement 5 August 2019).

**Projects - Lake Johnston**

Lake Johnston Operations returned to a continuing care and maintenance status, following the successful drilling campaign at the high grade Abi Rose nickel discovery in late September 2018. The operation is continuously manned and maintained to ensure the former processing operations remain in good standing. A geochemical exploration campaign to the south of Maggie Hays is planned for the new financial year.

**Projects – Windarra**

The Mt Windarra underground mine and its associated infrastructure remains on care and maintenance. A limited exploration RC drilling campaign is planned for the next financial year to test an area north of the Cerberus deposit to assist with future planning of exploration in the area.

The process of the termination of the Poseidon Nickel Agreement Act is progressing and expected to provide clarity to the Company's revised obligations and opportunities. The Department of Jobs, Tourism, Science and Innovation is still in the process of finalising the termination documents for consideration.

Poseidon Nickel Limited  
Directors' report (continued)  
For the year ended 30 June 2019

**7. Operating and Financial Review (continued)**

**Nickel Market**

The key drivers of the nickel market remain:

- Sustained growth in Stainless steel demand
- New demand from battery technology in the transport and renewable energy industries

Generally, the market forecasters predict the nickel market balance will remain in deficit. While this deficit continues, it is unclear as to timing when the market will see a sustained positive effect on the nickel metal price. On a longer-term basis (over 2 years), declining stocks have contributed to longer term upward price trends.

**Financial Position**

For the year ended 30 June 2019 the Group recorded a loss of \$10,495,000 (2018: \$9,654,000) that includes the movement in the valuation and interest of the convertible note liability, derivative liability, depreciation, impairment and share based payment expense which are all non-cash items. If these items are excluded, the underlying loss for the Group for the year is \$8,923,000 (2018: \$6,573,000). The working capital surplus as at 30 June 2019 of \$55,588,000 (2018: deficit \$2,805,000) includes a provision for environmental rehabilitation of \$3,500,000 that is cash backed (non-current asset). The primary liabilities of the Group consist of \$24,250,000 (2018: \$23,832,000) of convertible note liability maturing September 2020, together with further site rehabilitation provisions of \$46,418,000 (2018: \$42,766,000). The Directors do not anticipate the Group being required to remediate its sites in the foreseeable future. These liabilities are classified as non-current and included within total net assets of \$74,110,000 (2018: \$13,289,000).

The Group had a net cash outflow from operating and investing activities of \$46,804,000 (2018: \$4,810,000), reflecting investments in term deposits with a maturity of more than three months from the date of acquisition and the ongoing expenditure during the period on exploration and evaluation and care and maintenance activities across the three operations of Windarra, Lake Johnston and Black Swan. As at 30 June 2019, the Group had cash on hand of \$25,133,000 and investments in term deposits of \$35,012,000.

**Poseidon Nickel Limited**  
**Directors' report (continued)**  
**For the year ended 30 June 2019**

**8. Remuneration report - audited**

**8.1 Principles of compensation**

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 executive remuneration framework is to ensure that:

- Total remuneration is competitive in relation to the broader market and is linked to role, experience and performance;
- Incentive schemes are aligned with the interests of the Company and acceptable to its shareholders;
- Attract and retain talented and high calibre Key Management Personnel ("KMP") and employees to the Company;
- Remuneration systems are transparent, simple, clear and have measurable targets; and
- Compatibility with the Company's phase of development, longer terms aims, capital management strategies and structures.

The Company has structured 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' remuneration and is comprised of:

- Total Fixed Remuneration ("TFR") inclusive of base salary, salary sacrifice and compulsory superannuation contributions;
- Short Term Incentive ("STI") measures; and
- Long Term Incentive ("LTI") measures.

**Total fixed remuneration**

The TFR component is reviewed annually by the Remuneration, Nomination and Diversity Committee through a process that considers both individual and overall performance of the Company. In addition, remuneration consultants can be engaged to provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the wider employment market. A senior executive's remuneration is also reviewed on promotion.

No remuneration consultants have been used in the current year and no remuneration increases have been awarded to directors and executives for FY2019 or FY2020.

**Short Term Incentive and Long Term Incentive Plans**

The Company has suspended the STI and LTI Plans effective from 1 July 2017 and no performance rights were granted for FY2018 or FY2019 pursuant to these plans.

All LTI performance rights granted to executives for FY2016 and FY 2017 were forfeited at 30 June 2018 and 30 June 2019, respectively due to vesting conditions not being satisfied by the due date.

**Short Term Incentive**

The STI plan was approved by shareholders at the 2015 Annual General Meeting. The objective of the STI is to incentivise and reward eligible participants, executives and employees that are invited to participate, for achievement of short term Company goals. The STI plan provides Eligible participants with an opportunity to earn a bonus, payable in performance rights, on achievement of individual and Company key performance indicators ("KPIs"). Challenging KPIs are set to ensure payments are only made to high performing employees.

The Remuneration, Nomination and Diversity Committee is responsible for determining the KPIs which span across key focus areas of the business and are agreed annually for the year ahead with the board. The KPIs include a gateway condition in relation to annual share price movement, personal performance, safety and Lost Time Injury

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2019

**8. Remuneration report - audited**

**8.1 Principles of compensation (continued)**

**Short Term Incentive (continued)**

Frequency Rate ("LTIFR") with minimum standard requirements to be met before performance criteria for the respective Company KPIs may be assessed and the number of performance rights that will vest be determined.

It is the Company's policy to cap STI payments at a targeted STI level. The percentage is applied against the relevant eligible participant's TFR and the number of performance rights to be granted is calculated using the 30 day Volume Weighted Average Price ("VWAP") as at 30 June, immediately preceding the grant date.

**Long Term Incentive**

The LTI plan was approved by shareholders at the 2015 Annual General Meeting and is intended to incentivise and reward eligible participants in a way in which aligns their interests with those of shareholders. All grants are measured over a 3 year period with 75% of the performance rights granted being measured against a relative Total Shareholder Return ("TSR") and 25% of the performance rights granted measured against an internal strategic target of growth in resource/reserve, once the Company has been in production for a minimum of 18 months. No vesting occurs until the end of the third year to ensure executives are focused on the generation of long term sustainable value for the Company.

Under the remuneration structure, executives will receive a grant of performance rights each year, such that the LTI now forms a key component of executive's total annual remuneration. It is the Company's policy to cap LTI payments at a targeted LTI level. The percentage is applied against the relevant executive's TFR and the number of performance rights to be granted is calculated using the 30 day Volume Weighted Average Price ("VWAP") as at 30 June immediately preceding the grant date.

**Performance conditions**

Careful consideration is given to ensure that the selected performance conditions will only reward executives where shareholder value is generated, as determined via the change in the Company's share price.

**Total shareholder return**

Reflecting on market practice, the board has decided that the most appropriate measure to track share price performance is via a relative TSR measure. TSR measures the return received by shareholders from holding shares in the Company over a particular period and is calculated by taking into account the growth in a company's share price over the period as well as any dividends received during the period.

**Internal strategic target**

Once the Company has been in production for a minimum of 18 months, the quantum increase in reserve/resource will determine the number of performances rights that were granted under this hurdle, to vest. This is on the basis that the Company must replace depletion carried out by mining and then increase total reserves before vesting will begin to occur.

| <b>Reserves and Resources Growth Performance</b><br>(only assessable once the Company has been in production for a minimum of 18 months) |   |  |
|--|---|--|
| <b>Internal Strategic Target</b>   | <b>LTI KPI</b>  | <b>% of Performance Rights Vesting</b>   |
| Reserves and Resources Growth Performance  | Reserves and resources depleted                                 | No performance rights vesting  |
|  | Reserves and resources maintained                               | 50% vesting of the performance rights  |
|  | Reserves grown by up to 30% and resources at least maintained   | Between 50% and 100% vesting (pro-rata on a straight line basis) of the performance rights |
|  | Reserves grown by 30% or more and resources at least maintained | 100% of performance rights vesting   |

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2019

**8. Remuneration report - audited**

**8.1 Principles of compensation (continued)**

**Internal strategic target (continued)**

The table in section 7.2 of the Directors' report provides details of the number and value of performance rights granted to executives. No performance rights have been granted to directors or executives in relation to the 2019 year or since the end of the financial year.

The Company has an Employee Share Option Plan ("ESOP") although no options have been granted to directors or executives since 2010.

**Share trading policy**

The trading of shares issued to eligible participants under any of the Company's employee equity plans is subject to and conditional on compliance with the Company's share trading policy detailed in the Corporate Governance Statement. Executives are prohibited from entering into any hedging arrangements over unvested performance rights under the STI or LTI plan and the policy is strictly enforced.

**Consequences of performance on shareholder wealth**

In considering the Company's performance and benefits for shareholder wealth, the Remuneration, Nomination and Diversity Committee have regard to the following indices in respect of the current financial year.

| <i>In thousands of AUD</i>   | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| (Loss) / profit for the year | (10,495)    | (9,654)     | 25          | (47,682)    | (21,471)    |
| Dividends paid               | -           | -           | -           | -           | -           |
| Change in share price        | \$(0.002)   | \$0.02      | \$(0.04)    | \$(0.06)    | \$0.04      |
| % Change in share price      | (0.05)%     | 94.7%       | (65.5)%     | (52.2)%     | 43.8%       |

The consolidated entity's performance is impacted not only by market factors, but also by employee performance. However, as the projects of the consolidated entity are currently in exploration or evaluation or care and maintenance phases, the annual profit performance is not a relevant measure of the Company's performance and hence remuneration levels for individual KMPs are not directly linked to the annual profit or loss result.

**Service contracts**

It is the Company's policy that service contracts for KMPs are open common law employment contracts, unlimited in term but capable of termination with between one and three months' notice, depending on the specific contract terms. The Company retains the right to terminate the contract immediately, by making payment equal to between one and 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 together with any superannuation benefits. Each KMP accrues 4 weeks of annual leave entitlements per year and 13 weeks of long service leave entitlements for every 10 years of service.

The service contract outlines the components of remuneration paid to the KMP but does 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 cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy. There is no guaranteed base pay increases included in any executives' contracts.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2019

**8. Remuneration report - audited**

**8.1 Principles of compensation (continued)**

**Service contracts (continued)**

Mr R Dennis was appointed as Chief Executive Officer ("CEO") on 1 August 2018 and resigned 30 August 2019. The material terms of his employment contract include a base remuneration of \$485,000, a bonus available of 0 to 50% of base salary and a notice period of 3 months. Prior to his appointment Mr C Indermaur, the non-executive chairman, took on some of the duties of the CEO on a part time basis with the support of the COO and received an additional fee of \$57,799 (2018: \$229,311) which is based pro-rata on 40% of the CEO's salary and payable in performance rights. Mr C Indermaur resigned on 1 October 2018.

**Non-executive directors**

Total remuneration for all non-executive directors, last voted upon by shareholders at the 15 July 2019 General Meeting, is not to exceed \$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.

The non-executive directors receive an annual base fee of \$53,888 (except for the chairman who receives a base fee of \$74,970) to cover the main board activities. Non-executive directors receive an additional fee of \$5,100 for each additional committee of which they are a member. Non-executive director members who chair a committee receive a further additional fee of \$10,000 for each committee chaired.

Under the Director Performance Rights Plan ("DPRP"), approved by shareholders at the AGM on 12 October 2016, each non-executive director elected to receive all director fees prior to 30 June 2018 as performance rights in lieu of cash in order to retain the cash reserves of the Company. The DPRP has replaced the Director Share Plan. The performance right vests immediately upon grant and can be exercised at any time within a 7 year timeframe. The value of the performance rights awarded to non-executive directors has been disclosed as a performance right based payment in column B in the directors' and executive officers' remuneration table in section 7.2 of the Directors' report.

**Executives**

A summary of the key contractual provisions for each executive is set out below:

| Name & job title  | Base salary | Super-annuation | Contract duration | Notice period | Termination provision       |
|---|-------------|-----------------|-------------------|---------------|-----------------------------|
| Mr N Hutchison <sup>2</sup> , GM Geology                | \$294,096   | 9.5%            | No fixed term     | 2 months      | 2 month termination payment |
| Mr M Rodriguez <sup>2</sup> , COO                       | \$399,151   | 9.5%            | No fixed term     | 1 month       | 6 month termination payment |
| B Shalders <sup>1</sup> , CFO / Joint Company Secretary | \$250,000   | 9.5%            | No fixed term     | 3 months      | 3 month termination payment |

1. Appointment - Mr B Shalders 9 September 2019

2. Resignations – Mr N Hutchison 21 September 2018, Mr M Rodriguez 1 February 2019.

All other senior management contracts are as per the Company's standard terms and conditions.

Poseidon Nickel Limited  
Directors' report (continued)

For the year ended 30 June 2019

8. Remuneration report – audited (continued)

8.2 Directors' and executive officers' remuneration (Company and Consolidated)

| In AUD  |      | Short-term              | Post employment               | Share-based payments |              |                              | Other long-term benefits<br>\$ (C) | Termination benefits<br>\$ | Total<br>\$ | Proportion of remuneration performance related<br>(2) |
|---|------|-------------------------|-------------------------------|----------------------|--------------|------------------------------|------------------------------------|----------------------------|-------------|---|
|   |      | Salary & fees<br>\$ (A) | Superannuation benefits<br>\$ | Options<br>\$        | Shares<br>\$ | Performance rights<br>\$ (B) |                                    |                            |             |   |
| <b>Directors</b>                                    |      |                         |                               |                      |              |                              |                                    |                            |             |   |
| <b>Non-executive directors</b>                      |      |                         |                               |                      |              |                              |                                    |                            |             |   |
| Mr G Brayshaw                                       | 2019 | 75,251                  | 7,149                         | -                    | -            | -                            | -                                  | -                          | 82,400      | 0%  |
|   | 2018 | -                       | -                             | -                    | -            | 74,088                       | -                                  | -                          | 74,088      | 0%  |
| Mr R Dennis <sup>4</sup>                            | 2019 | 408,852                 | 23,380                        | -                    | -            | -                            | 35,053                             | -                          | 467,285     | 0%  |
|   | 2018 | -                       | -                             | -                    | -            | 64,088                       | -                                  | -                          | 64,088      | 0%  |
| Mr K Paganin <sup>4</sup>                           | 2019 | 55,566                  | -                             | -                    | -            | -                            | -                                  | -                          | 55,566      | 0%  |
|   | 2018 | -                       | -                             | -                    | -            | -                            | -                                  | -                          | -           | 0%  |
| Ms F Gooding <sup>4</sup>                           | 2019 | 55,566                  | -                             | -                    | -            | -                            | -                                  | -                          | 55,566      | 0%  |
|   | 2018 | -                       | -                             | -                    | -            | -                            | -                                  | -                          | -           | 0%  |
| Mr C Indermaur (Chairman) <sup>1 5</sup>            | 2019 | 74,513                  | 7,079                         | -                    | -            | -                            | -                                  | -                          | 81,592      | 0%  |
|   | 2018 | -                       | -                             | -                    | -            | 324,481                      | -                                  | -                          | 324,481     | 0%  |
| Mr D Singleton <sup>5</sup>                         | 2019 | 14,632                  | 1,390                         | -                    | -            | -                            | -                                  | -                          | 16,022      | 0%  |
|   | 2018 | -                       | -                             | -                    | -            | 64,088                       | -                                  | -                          | 64,088      | 0%  |
| <b>Executives<sup>3</sup></b>                       |      |                         |                               |                      |              |                              |                                    |                            |             |   |
| Mr N Hutchison, GM Geology <sup>5</sup>             | 2019 | 37,969                  | 4,144                         | -                    | -            | -                            | 681                                | -                          | 42,794      | 0%  |
|   | 2018 | 154,325                 | 18,626                        | -                    | -            | 31,531                       | 3,375                              | -                          | 207,857     | 0%  |
| Mr M Rodriguez, COO <sup>5</sup>                    | 2019 | 202,065                 | 14,729                        | -                    | -            | -                            | 14,887                             | 224,407                    | 456,088     | 0%  |
|   | 2018 | 367,693                 | 25,000                        | -                    | -            | 58,528                       | 50,765                             | -                          | 501,986     | 0%  |
| Mr G Jones, CFO <sup>5</sup>                        | 2019 | -                       | -                             | -                    | -            | -                            | -                                  | -                          | -           | 0%  |
|   | 2018 | 39,303                  | 5,064                         | -                    | -            | 4,225                        | 2,777                              | -                          | 51,369      | 0%  |
| <b>Total compensation: key management personnel</b> |      |                         |                               |                      |              |                              |                                    |                            |             |   |
|   | 2019 | 924,414                 | 57,871                        | -                    | -            | -                            | 50,621                             | 224,407                    | 1,257,313   |   |
|   | 2018 | 561,321                 | 48,690                        | -                    | -            | 621,029                      | 56,917                             | -                          | 1,287,957   |   |

1. Mr C Indermaur undertook some of the duties of the CEO on a part time basis and for 2019 has received an additional fee of \$57,799 (2018: \$229,311 granted as Performance Rights).

2. For Directors, performance based remuneration excludes performance rights. These rights have been paid to Directors in lieu of cash for directors fees and are not performance based.

3. In accordance with accounting standards an expense has been recognised in relation to LTI's, however due to not meeting performance hurdles, all of these rights have been forfeited.

4. Appointments - Mr R Dennis appointed 24 February 2014 and as Managing Director and CEO 1 August 2018, Mr K Paganin and Ms F Gooding 1 October 2018

5. Resignations – Mr C Indermaur and Mr D Singleton 1 October 2018, Mr N Hutchison 21 September 2018, Mr M Rodriguez 1 February 2019, Mr G Jones 31 August 2017.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2019

**8. Remuneration report – audited (continued)**

**8.2 Directors' and executive officers' remuneration (Company and Consolidated) (continued)**  
**Notes in relation to the table of directors' and executive officers remuneration**

- (A) Salary and fees includes base salary and fees.
- (B) The performance rights granted to non-executive directors represent the cash value of director fees issued to non-executive directors in relation to the Director Performance Rights Plan. For Mr C Indermaur, this includes the Performance Rights issued for additional CEO duties. The performance rights are granted each quarter and vest immediately on grant. Refer to the Director Performance Rights Plan in section 7.1 of the Directors' report.

All LTI performance rights granted to executives for FY 2016 and FY2017 were forfeited at 30 June 2018 and 30 June 2019, respectively due to the vesting conditions not being satisfied by the due date. The expense continues to be recognised when market conditions are not satisfied and is reversed when non-market conditions are not satisfied. The executives received no financial benefit from the LTI in FY2018 or FY2019.

No performance rights have been granted to directors or executives in relation to the 2019 year or since the end of the financial year.

- (C) Other long-term benefits includes leave entitlements paid and the movement in annual and long service leave provisions

**Details of performance related remuneration**

**STI**

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed in section 7.1 of the Directors' report.

**LTI**

The performance rights granted for the LTI have been valued using a hybrid employee share option model due to the TSR component. The model uses a correlated simulation that simultaneously calculates the TSR of the Company and each constituent of the Peer Group on a risk neutral basis as at the vesting date with regards to the performance period. The performance of the TSR of the Company is ranked against the TSR of each constituent of the Peer Group as at the vesting date and a vesting percentage is calculated from the vesting schedule.

An evaluation of the performance of executives during FY2019 and achievement against the KPIs set for the LTI award from 1 July 2017 resulted in the forfeiture of 100% of the FY2017 LTI performance rights granted:

| Executives     | TFR (\$) | Fair value on grant date | No. of Performance Rights |        |           |
|----------------|----------|--------------------------|---------------------------|--------|-----------|
|                |          |                          | Granted                   | Vested | Forfeited |
| Mr N Hutchison | 69,297   | \$0.053                  | 1,313,681                 | -      | 1,313,681 |
| Mr M Rodriguez | 125,400  | \$0.053                  | 2,377,253                 | -      | 2,377,253 |
| Mr G Jones *   | 55,564   | \$0.053                  | 1,053,351                 | -      | 1,053,351 |

\* LTI Performance Rights granted to all executives above for FY2017 have been forfeited on their resignations, Mr N Hutchison 21 September 2018, Mr M Rodriguez 1 February 2019, Mr G Jones 31 August 2017.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2019

**8. Remuneration report – audited (continued)**

**8.2 Directors' and executive officers' remuneration (Company and Consolidated) (continued)**  
**Notes in relation to the table of directors' and executive officers remuneration (continued)**

**Details of performance related remuneration (continued)**

**LTI (continued)**

An evaluation of the performance of executives during FY2018 and achievement against the KPIs set for the LTI award from 1 July 2016 resulted in the forfeiture of 100% of the FY2016 LTI performance rights granted:

| Executives     | TFR<br>(\$) | Fair value<br>on grant<br>date | No. of Performance Rights |        |           |
|----------------|-------------|--------------------------------|---------------------------|--------|-----------|
|                |             |                                | Granted                   | Vested | Forfeited |
| Mr N Hutchison | 16,444      | \$0.040                        | 411,095                   | -      | 411,095   |
| Mr M Rodriguez | 33,477      | \$0.040                        | 836,914                   | -      | 836,914   |
| Mr G Jones *   | 13,185      | \$0.040                        | 329,629                   | -      | 329,629   |

\* LTI Performance Rights granted to Mr G Jones for FY2016 have been forfeited on his resignation, 31 August 2017.

**8.3 Equity instruments**

**Analysis of options and rights over equity instruments granted as compensation**

**Share Options**

No options were granted to directors or executives during the reporting period and no options have been granted to directors or executives since the end of the financial year.

**Shares**

No shares were granted to directors during the reporting period and no shares have been granted to directors or executives since the end of the financial year.

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

**Options and rights over equity instruments**

**Share Options**

No options over ordinary shares in Poseidon Nickel Limited are held, directly, indirectly or beneficially, by key management person, including their related parties.

Poseidon Nickel Limited  
Directors' report (continued)

For the year ended 30 June 2019

8. Remuneration report – audited (continued)

8.3 Equity instruments (continued)

Options and rights over equity instruments (continued)

**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<br>1 July<br>2018 | Share<br>entitlement<br>issue | Performance<br>right<br>conversion | Net change<br>-other | Held at<br>30 June<br>2019 |
|-------------------|---------------------------|-------------------------------|------------------------------------|----------------------|----------------------------|
| <b>Directors</b>  |                           |                               |                                    |                      |                            |
| Mr G Brayshaw     | 3,984,671                 | 4,383,138                     | 4,881,546                          | -                    | 13,249,355                 |
| Mr R Dennis       | 3,714,245                 | 4,085,669                     | 4,216,012                          | -                    | 12,015,926                 |
| Mr K Paganin      | -                         | -                             | -                                  | -                    | -                          |
| Ms F Gooding      | -                         | -                             | -                                  | -                    | -                          |
| Mr C Indermaur    | 5,143,455                 | 26,616,300                    | 19,053,182                         | (50,812,937)         | -                          |
| Mr D Singleton    | 8,970,000                 | 5,637,000                     | 3,706,041                          | (18,313,041)         | -                          |
| <b>Executives</b> |                           |                               |                                    |                      |                            |
| Mr N Hutchison    | 1,811,270                 | -                             | -                                  | (1,811,270)          | -                          |
| Mr M Rodriguez    | -                         | -                             | -                                  | -                    | -                          |

\* Net change other includes shares held on the date of their resignation, Mr C Indermaur and Mr D Singleton 1 October 2018, Mr N Hutchison 21 September 2018, Mr M Rodriguez 1 February 2019.

**Performance rights**

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

|                     | Held at<br>1 July<br>2018 | Granted | Forfeited   | Exercised  | Held at<br>30 June<br>2019 | Vested<br>during<br>the year | Vested and<br>exercisable<br>at 30 June<br>2019 |
|---------------------|---------------------------|---------|-------------|------------|----------------------------|------------------------------|---|
| <b>Directors</b>    |                           |         |             |            |                            |                              |   |
| Mr G Brayshaw       | 4,881,546                 | -       | -           | 4,881,546  | -                          | -                            | -   |
| Mr R Dennis         | 4,216,012                 | -       | -           | 4,216,012  | -                          | -                            | -   |
| Mr K Paganin        | -                         | -       | -           | -          | -                          | -                            | -   |
| Ms F Gooding        | -                         | -       | -           | -          | -                          | -                            | -   |
| Mr C Indermaur      | 19,053,182                | -       | -           | 19,053,182 | -                          | -                            | -   |
| Mr D Singleton      | 3,706,041                 | -       | -           | 3,706,041  | -                          | -                            | -   |
| <b>Executives *</b> |                           |         |             |            |                            |                              |   |
| Mr N Hutchison      | 1,313,681                 | -       | (1,313,681) | -          | -                          | -                            | -   |
| Mr M Rodriguez      | 2,377,261                 | -       | (2,377,261) | -          | -                          | -                            | -   |

**End of Remuneration report - audited**

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2019

**9. Corporate governance statement**

The Company's 2019 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/>.

**10. Dividends**

The Directors recommend that no dividend be declared or paid.

**11. Events subsequent to reporting date**

On 11 July 2019, the Company announced the appointment of Mr Brendan Shalders as Chief Financial Officer and Company Secretary with effect from 9 September 2019.

On 15 July 2019, the Company announced that all three Resolutions set out in the Proxy Statement dated 17 June 2019 and considered at the General meeting of Shareholders held on 15 July 2019 were passed and provided the replacement Constitution approved at the meeting.

On 2 September 2019, the Company announced the appointment of Mr David Riekie as interim Chief Executive Officer, following the retirement of Mr Rob Dennis and pending an appointment of a permanent Managing Director and Chief Executive Officer.

On 9 September 2019, the Company announced the appointment of Mr Brendon Shalders as Joint Company Secretary. Ms Eryn Kestel also continues as Joint Company Secretary.

**12. Directors' interests**

The relevant interest of each director in the shares, debentures, interests in registered schemes 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 | Performance rights over ordinary shares |
|---------------|-----------------|---|
| Mr G Brayshaw | 13,249,355      | -                                       |
| Mr K Paganin  | -               | -                                       |
| Ms F Gooding  | -               | -                                       |
|               | 13,249,355      | -                                       |

**13. Share options**

**Options granted to directors and officers of the Company**

During or since the end of the financial year, no options have been granted to directors or officers of the Company.

**Unissued shares under options**

At the date of this report there were no unissued ordinary shares of the Company under option.

**Shares issued on exercise of options**

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

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.

**Poseidon Nickel Limited**  
**Directors' report (continued)**  
**For the year ended 30 June 2019**

**14. Indemnification and insurance of officers and auditors**

**Insurance premiums**

The Company has agreed to indemnify the following current directors of the Company, Mr G Brayshaw, Mr K Paganin and Ms F Gooding against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors 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 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 \$63,000 (2018: \$72,000).

**16. Lead auditor's independence declaration**

The Lead auditor's independence declaration is set out on page 54 and forms part of the directors' report for financial year ended 30 June 2019.

**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 G Brayshaw**  
**Director**

Perth  
 9 September 2019

Poseidon Nickel Limited  
Consolidated statement of financial position

As at 30 June 2019

*In thousands of AUD*

|   | <b>Note</b> | <b>2019</b>    | <b>2018</b>   |
|---|-------------|----------------|---------------|
| <b>Assets</b>   |             |                |               |
| Cash and cash equivalents   | 4.1a        | 25,133         | 2,048         |
| Trade and other receivables                                       | 4.2         | 1,312          | 279           |
| Other investments – term deposits                                 |             | 35,012         | -             |
| <b>Total current assets</b>                                       |             | <b>61,457</b>  | <b>2,327</b>  |
| Property, plant and equipment                                     | 3.2         | 24,744         | 24,922        |
| Exploration and evaluation expenditure                            | 3.1         | 60,946         | 54,270        |
| Other   | 3.3         | 3,500          | 3,500         |
| <b>Total non-current assets</b>                                   |             | <b>89,190</b>  | <b>82,692</b> |
| <b>Total assets</b>   |             | <b>150,647</b> | <b>85,019</b> |
| <b>Liabilities</b>  |             |                |               |
| Trade and other payables  | 4.3         | 2,254          | 1,442         |
| Loans and borrowings  |             | -              | 42            |
| Employee benefits   |             | 115            | 148           |
| Provisions  | 3.4         | 3,500          | 3,500         |
| <b>Total current liabilities</b>                                  |             | <b>5,869</b>   | <b>5,132</b>  |
| Loans and borrowings  | 5.2         | 23,142         | 20,944        |
| Convertible note derivative                                       | 5.2         | 1,108          | 2,888         |
| Provisions  | 3.4         | 46,418         | 42,766        |
| <b>Total non-current liabilities</b>                              |             | <b>70,668</b>  | <b>66,598</b> |
| <b>Total liabilities</b>  |             | <b>76,537</b>  | <b>71,730</b> |
| <b>Net Assets</b>   |             | <b>74,110</b>  | <b>13,289</b> |
| <b>Equity</b>   |             |                |               |
| Share capital   | 5.1         | 228,796        | 156,337       |
| Reserves  |             | 2              | 1,173         |
| Accumulated losses  |             | (154,688)      | (144,221)     |
| <b>Total equity attributable to equity holders of the Company</b> |             | <b>74,110</b>  | <b>13,289</b> |

*The notes on pages 23 to 50 are an integral part of these consolidated financial statements.*

## Poseidon Nickel Limited

## Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

| <i>In thousands of AUD</i>                     | <b>Note</b> | <b>2019</b>     | <b>2018</b>    |
|--|-------------|-----------------|----------------|
| Other income                                   | 2.2         | 366             | 821            |
| Depreciation expense                           |             | (43)            | (48)           |
| Personnel expenses                             | 2.3         | (1,221)         | (227)          |
| Exploration and evaluation costs expensed      |             | (6,245)         | (3,687)        |
| Consultancy and advisor fees                   |             | (2,210)         | (809)          |
| Share based payment expense                    | 6.1         | 126             | (645)          |
| Other expenses                                 |             | (808)           | (675)          |
| <b>Results from operating activities</b>       |             | <b>(10,035)</b> | <b>(5,270)</b> |
| Finance income                                 |             | 3,136           | 18             |
| Finance costs                                  |             | (3,596)         | (4,402)        |
| <b>Net finance income / (costs)</b>            | 2.4         | <b>(460)</b>    | <b>(4,384)</b> |
| <b>Loss before income tax</b>                  |             | <b>(10,495)</b> | <b>(9,654)</b> |
| Income tax benefit                             | 2.5         | -               | -              |
| <b>Total comprehensive loss for the period</b> |             | <b>(10,495)</b> | <b>(9,654)</b> |
| <b>Earnings per share</b>                      |             |                 |                |
| Basic and diluted loss per share (cents/share) | 2.6         | (0.45)          | (0.92)         |

*The notes on pages 23 to 50 are an integral part of these consolidated financial statements.*

Poseidon Nickel Limited  
 Consolidated statement of changes in equity  
 For the year ended 30 June 2019

*In thousands of AUD*

|   | Share<br>Capital | Share based<br>payment reserve | Accumulated<br>losses | Total equity  |
|---|------------------|--------------------------------|-----------------------|---------------|
| <b>Balance at 1 July 2017</b>   | <b>149,948</b>   | <b>757</b>                     | <b>(134,662)</b>      | <b>16,043</b> |
| Loss for the year   | -                | -                              | (9,654)               | (9,654)       |
| <b>Other comprehensive income</b>   |                  |                                |                       |               |
| Total other comprehensive income  | -                | -                              | -                     | -             |
| Total comprehensive income for the year   | -                | -                              | (9,654)               | (9,654)       |
| <b>Transactions with owners recorded directly in equity</b>                               |                  |                                |                       |               |
| <b>Contributions by and distributions to owners</b>                                       |                  |                                |                       |               |
| Issue of share capital (net of costs)   | 6,389            | -                              | -                     | 6,389         |
| Issue of performance rights   | -                | 511                            | -                     | 511           |
| Transfer to accumulated losses upon lapse of options and forfeiture of performance rights | -                | (95)                           | 95                    | -             |
| Total contributions by and distributions to owners  | 6,389            | 416                            | 95                    | 6,900         |
| <b>Balance at 30 June 2018</b>  | <b>156,337</b>   | <b>1,173</b>                   | <b>(144,221)</b>      | <b>13,289</b> |
| Loss for the year   | -                | -                              | (10,495)              | (10,495)      |
| <b>Other comprehensive income</b>   |                  |                                |                       |               |
| Total other comprehensive income  | -                | -                              | -                     | -             |
| Total comprehensive income for the year   | -                | -                              | (10,495)              | (10,495)      |
| <b>Transactions with owners recorded directly in equity</b>                               |                  |                                |                       |               |
| <b>Contributions by and distributions to owners</b>                                       |                  |                                |                       |               |
| Issue of share capital (net of costs)   | 71,180           | -                              | -                     | 71,180        |
| Issue of performance rights   | -                | 279                            | -                     | 279           |
| Transfer to accumulated losses upon forfeiture of performance rights                      | -                | (171)                          | 171                   | -             |
| Reversal of prior year performance rights   | -                | -                              | (143)                 | (143)         |
| Performance rights exercised  | 1,279            | (1,279)                        | -                     | -             |
| Total contributions by and distributions to owners  | 72,459           | (1,171)                        | -                     | 71,550        |
| <b>Balance at 30 June 2019</b>  | <b>228,796</b>   | <b>2</b>                       | <b>(154,688)</b>      | <b>74,110</b> |

*The condensed notes on pages 23 to 50 are an integral part of these consolidated financial statements.*

Poseidon Nickel Limited  
 Consolidated statement of cash flows  
 For the year ended 30 June 2019

*In thousands of AUD*

|  | <b>Note</b> | <b>2019</b>     | <b>2018</b>    |
|--|-------------|-----------------|----------------|
| <b>Cash flows from operating activities</b>                  |             |                 |                |
| Sundry receipts  |             | 147             | 822            |
| Payments to suppliers and employees                          |             | (10,189)        | (4,603)        |
| Cash used in operations                                      |             | (10,042)        | (3,781)        |
| Interest received  |             | 624             | 18             |
| <b>Net cash used in operating activities</b>                 | <b>4.1b</b> | <b>(9,418)</b>  | <b>(3,763)</b> |
| <b>Cash flows from investing activities</b>                  |             |                 |                |
| Payments for property, plant and equipment                   |             | (220)           | (32)           |
| Proceeds from sale of property, plant and equipment          |             | 36              | 33             |
| Payments for exploration and evaluation expenditure          |             | (2,190)         | (1,048)        |
| Payments for other investments – term deposits               |             | (35,012)        | -              |
| <b>Net cash used in investing activities</b>                 |             | <b>(37,386)</b> | <b>(1,047)</b> |
| <b>Cash flows from financing activities</b>                  |             |                 |                |
| Proceeds from the issue of shares and options (net of costs) |             | 70,915          | 5,364          |
| Proceeds from borrowings                                     |             | -               | 139            |
| Repayment of borrowings                                      |             | (42)            | (145)          |
| Interest paid  |             | (984)           | (120)          |
| <b>Net cash received from financing activities</b>           |             | <b>69,889</b>   | <b>5,238</b>   |
| <b>Net increase in cash and cash equivalents</b>             |             | <b>23,085</b>   | <b>428</b>     |
| Cash and cash equivalents at 1 July                          |             | 2,048           | 1,620          |
| <b>Cash and cash equivalents at 30 June</b>                  | <b>4.1a</b> | <b>25,133</b>   | <b>2,048</b>   |

*The notes on pages 23 to 50 are an integral part of these consolidated financial statements.*

# Poseidon Nickel Limited

## Notes to the 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 2019 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 Unit 8 Churchill Court, 331-335 Hay Street, Subiaco WA 6008. 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 9 September 2019. 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);
- Have been prepared on a historical cost basis, except for the convertible note derivative and share based payments which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- 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 2018. Refer to note 6.9 for further details; and
- Does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective. Refer to note 6.9 for further details.

#### 1.2 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.

Where a joint arrangement is classified as a joint operation the Group recognises its proportionate share of revenue, expenditure, assets and liabilities.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 1.3 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.

### 1.4 Research and development expenditure

The Group undertakes expenditure on activities that are categorised as 'eligible expenditure' under the Research & Development Tax Concession which dependent upon certain criteria 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.

### 1.5 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. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation or amortisation that would have been charged since the impairment.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 1.6 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:

- Exploration and evaluation assets (note 3.1);
- Site restoration provision (note 3.4);
- Convertible note liability and derivative (note 5.2); and
- Share-based payments (note 6.1).

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 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. 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

*In thousands of AUD*

##### For the year ended 30 June

|   |  |
|---|--|
| Reportable segment other income               |  |
| Reportable segment exploration costs expensed |  |
| Reportable segment loss before income tax     |  |
| Reportable segment assets                     |  |
| Reportable segment liabilities                |  |
| Capital expenditure                           |  |

#### Nickel exploration and evaluation

|  | 2019     | 2018    |
|--|----------|---------|
|  | 351      | 793     |
|  | (6,245)  | (3,687) |
|  | (5,894)  | (2,894) |
|  | 88,815   | 82,378  |
|  | 51,386   | 46,812  |
|  | 3,244    | 1,181   |
|  | (5,894)  | (2,894) |
|  | (4,141)  | (2,376) |
|  | (460)    | (4,384) |
|  | (10,495) | (9,654) |
|  | 88,815   | 82,378  |
|  | 61,832   | 2,641   |
|  | 150,647  | 85,019  |
|  | 51,386   | 46,812  |
|  | 25,151   | 24,918  |
|  | 76,537   | 71,730  |

#### Reconciliations of reportable segment loss and assets

##### Loss

|   |  |
|---|--|
| Total loss for reportable segments            |  |
| Unallocated amounts: other corporate expenses |  |
| Net finance costs                             |  |
| Loss before income tax                        |  |

##### Assets

|                                      |  |
|--------------------------------------|--|
| Total assets for reportable segments |  |
| Other assets                         |  |

##### Liabilities

|   |  |
|---|--|
| Total liabilities for reportable segments |  |
| Other liabilities                         |  |

There have been no changes to the basis of segmentation or the measurement basis for the segment loss since 30 June 2018.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 2.2 Other income

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

| <i>In thousands of AUD</i>        | 2019       | 2018       |
|-----------------------------------|------------|------------|
| Research and development proceeds | 181        | 680        |
| Sundry income                     | 185        | 141        |
|                                   | <u>366</u> | <u>821</u> |

#### 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.

| <i>In thousands of AUD</i>                   | 2019         | 2018       |
|--|--------------|------------|
| Directors fees*                              | 280          | -          |
| Wages and salaries                           | 541          | 153        |
| Superannuation expense                       | 126          | 100        |
| Termination benefits                         | 224          | -          |
| Other associated personnel expenses          | 85           | 44         |
| Decrease in liability for annual leave       | (19)         | (43)       |
| Decrease in liability for long service leave | (16)         | (27)       |
|  | <u>1,221</u> | <u>227</u> |

\* In 2018 performance rights of \$527,000 were granted in lieu of cash for Directors fees.

#### 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.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 2.4 Net financing costs (continued)

Net financing costs can be analysed as follows:

| <i>In thousands of AUD</i>                          | <b>Note</b> | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|-------------|
| Interest income on bank deposits                    |             | 1,197       | 18          |
| Change in fair value of convertible note derivative | 5.2         | 1,939       | -           |
| Finance income                                      |             | 3,136       | 18          |
| Interest expense – convertible note                 | 5.2         | (2,283)     | (2,015)     |
| Interest expense – loan                             |             | (1)         | (6)         |
| Net foreign exchange loss                           | 5.2         | (1,312)     | (1,014)     |
| Change in fair value of convertible note derivative | 5.2         | -           | (1,367)     |
| Finance costs                                       |             | (3,596)     | (4,402)     |
| Net finance (cost)                                  |             | (460)       | (4,384)     |

### 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.

Poseidon Nickel Limited  
Notes to the consolidated financial statements

**2.5 Income tax expenses (continued)**

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

| <i>In thousands of AUD</i>                        | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
| Current tax expense                               |             |             |
| Current year                                      | -           | -           |
| Adjustments for prior periods                     | 233         | (469)       |
|   | 233         | (469)       |
| Deferred tax expense                              |             |             |
| Origination and reversal of temporary differences | 233         | 469         |
|   | -           | -           |
| Total tax benefit                                 | -           | -           |

**b. Numerical reconciliation between tax expense and pre-tax accounting profit**

| <i>In thousands of AUD</i>   | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
| Loss for the year  | (10,495)    | (9,654)     |
| Total tax expense  | -           | -           |
| Loss excluding tax   | (10,495)    | (9,654)     |
| Income tax using the Company's domestic tax rate of 30%<br>(2018: 30%) | (3,148)     | (2,896)     |
| Share-based payments   | 32          | 194         |
| Other non-deductible expenses  | -           | 1           |
| Over provided in prior periods   | 233         | (469)       |
|  | (2,883)     | (3,170)     |
| Change in deductible temporary differences                             | 2,883       | 3,170       |
| Total income tax benefit   | -           | -           |

**c. Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| <i>In thousands of AUD</i>          | <b>2019</b> | <b>2018</b> |
|-------------------------------------|-------------|-------------|
| <b>Deferred Tax Liabilities</b>     |             |             |
| Exploration expenditure             | (7,019)     | (5,838)     |
| Convertible note derivative         | (1,150)     | (616)       |
| Other items                         | (179)       | (5)         |
| <b>Deferred Tax Assets</b>          |             |             |
| Carry forward tax losses recognised | 6,127       | 5,759       |
| Loans and borrowings                | 1,014       | 354         |
| Other items                         | 1,207       | 346         |
| Net Deferred Tax Asset (Liability)  | -           | -           |

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 2.5 Income tax expenses (continued)

##### d. Unrecognised deferred tax assets and liabilities

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

| <i>In thousands of AUD</i> | <b>2019</b>   | <b>2018</b>   |
|----------------------------|---------------|---------------|
| Tax losses                 | 30,585        | 25,960        |
|                            | <u>30,585</u> | <u>25,960</u> |

At 30 June 2019, the Company has carry-forward tax losses of \$36,712,000 at 30% (30 June 2018: \$31,719,000) of which \$6,127,000 (30 June 2018: \$5,759,000) 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 earnings (loss) per share

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

The calculation of basic EPS at 30 June 2019 was based on the loss attributable to ordinary shareholders of \$10,495,000 (2018: \$9,654,000) and a weighted average number of ordinary shares outstanding of 2,317,505,000 (2018: 1,051,153,000).

The calculation of diluted EPS at 30 June 2019 was based on the loss attributable to ordinary shareholders of \$10,495,000 (2018: \$9,654,000) and a weighted average number of ordinary shares outstanding of 2,317,505,000 (2018: 1,051,153,000). Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

##### Basic Earnings (loss) per share

| <i>In thousands of AUD</i>                            | <b>2019</b>      | <b>2018</b>      |
|---|------------------|------------------|
| Loss attributable to ordinary shareholders            | (10,495)         | (9,654)          |
| Issued ordinary shares at 1 July                      | 2,642,702        | 856,560          |
| Effect of shares issued                               | (325,197)        | 194,593          |
| Weighted average number of ordinary shares at 30 June | <u>2,317,505</u> | <u>1,051,153</u> |
| Basic and diluted* loss per share (cents)             | <u>(0.45)</u>    | <u>(0.92)</u>    |

\* Potential ordinary shares of the Company consist of 46,354 (2018: 30,006,083) dilutive performance rights options issued. Due to rounding there is no variance between EPS and diluted EPS. 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.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 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 2019 and 30 June 2018, the Company 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 Company performs impairment testing in accordance with note 1.5.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 3.1 Exploration and evaluation expenditure (continued)

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

| <i>In thousands of AUD</i>  | <b>2019</b>   | <b>2018</b>   |
|---|---------------|---------------|
| Costs carried forward in respect of areas of interest in the following phase: |               |               |
| Exploration and evaluation phase  | 60,946        | 54,270        |
| <b>Reconciliations: Exploration and evaluation phase</b>                      |               |               |
| Carrying amount at beginning of year  | 54,270        | 54,056        |
| Additions   | 3,024         | 1,149         |
| Movements in provisions   | 3,652         | (935)         |
|   | <b>60,946</b> | <b>54,270</b> |

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 \$6,245,000 (2018: \$3,687,000) was expensed as incurred through the Income Statement for the period.

#### 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.

##### Impairment

Non-current assets are tested for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. The Company performs impairment testing in accordance with note 1.5.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 3.2 Property, plant and equipment (continued)

|   | Leasehold<br>improve-<br>ments | Plant and<br>equipment | Plant and<br>equipment<br>- mining | Motor<br>vehicles<br>- mining | Total  |
|---|--------------------------------|------------------------|------------------------------------|-------------------------------|--------|
| <i>In thousands of AUD</i>                |                                |                        |                                    |                               |        |
| <b>Cost</b>                               |                                |                        |                                    |                               |        |
| Balance at 1 July 2017                    | 1,006                          | 682                    | 26,636                             | 293                           | 28,617 |
| Additions                                 | -                              | -                      | 1                                  | 31                            | 32     |
| Disposals                                 | -                              | -                      | (105)                              | (14)                          | (119)  |
| Balance at 30 June 2018                   | 1,006                          | 682                    | 26,532                             | 310                           | 28,530 |
| Balance at 1 July 2018                    | 1,006                          | 682                    | 26,532                             | 310                           | 28,530 |
| Additions                                 | -                              | 16                     | 117                                | 87                            | 220    |
| Disposals                                 | -                              | -                      | -                                  | (39)                          | (39)   |
| Balance at 30 June 2019                   | 1,006                          | 698                    | 26,649                             | 358                           | 28,711 |
| <b>Depreciation and impairment losses</b> |                                |                        |                                    |                               |        |
| Balance at 1 July 2017                    | 390                            | 323                    | 2,289                              | 267                           | 3,269  |
| Depreciation for the year                 | 40                             | 49                     | 312                                | 10                            | 411    |
| Disposals                                 | -                              | -                      | (58)                               | (14)                          | (72)   |
| Balance at 30 June 2018                   | 430                            | 372                    | 2,543                              | 263                           | 3,608  |
| Balance at 1 July 2018                    | 430                            | 372                    | 2,543                              | 263                           | 3,608  |
| Depreciation for the year                 | 41                             | 43                     | 297                                | 17                            | 398    |
| Disposals                                 | -                              | -                      | -                                  | (39)                          | (39)   |
| Balance at 30 June 2019                   | 471                            | 415                    | 2,840                              | 241                           | 3,967  |

#### Carrying amounts

|                            | Leasehold<br>improve-<br>ments | Plant and<br>equipment | Plant and<br>equipment<br>- mining | Motor<br>vehicles<br>- mining | Total  |
|----------------------------|--------------------------------|------------------------|------------------------------------|-------------------------------|--------|
| <i>In thousands of AUD</i> |                                |                        |                                    |                               |        |
| At 1 July 2018             | 616                            | 359                    | 24,347                             | 26                            | 25,348 |
| At 30 June 2018            | 576                            | 310                    | 23,989                             | 47                            | 24,922 |
| At 30 June 2019            | 535                            | 283                    | 23,809                             | 117                           | 24,744 |

Plant and equipment associated with the Lake Johnston and Black Swan nickel remains on care and maintenance. Both projects remain in the exploration and evaluation phase and accordingly associated plant and equipment items are not installed, ready for use. No depreciation has been charged on these assets.

At 30 June 2019, the total carrying amount of these assets was \$22,983,000 (2018: \$22,983,000).

#### 3.3 Other non-current assets

The Company holds a cash collateralised security deposit of \$3,500,000 (2018: \$3,500,000) to cover the provision for site restoration made in recognition of an on-going commitment to the environmental rehabilitation of the Windarra mine site.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 3.4 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 \$3,500,000 (2018: \$3,500,000), classified as "current", is in respect of the Group's on-going obligation for the environmental rehabilitation of the Windarra mine sites. The Company continues to work with the Department of Mines and Petroleum with regards to the planning and timing of the rehabilitation.

The non-current site rehabilitation provision of \$46,418,000 (2018: \$42,766,000) is in respect of the Group's on-going obligation for the environment rehabilitation following the acquisition of the Lake Johnston and Black Swan nickel operations.

##### Movements in non-current provisions

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

| <i>In thousands of AUD</i>                          | <b>2019</b>   | <b>2018</b>   |
|---|---------------|---------------|
| Carrying amount of liability at beginning of period | 42,766        | 43,701        |
| Addition / (Reduction) to provision                 | 3,652         | (935)         |
| Carrying amount at end of period                    | <u>46,418</u> | <u>42,766</u> |

Movements in provisions represent changes in underlying inflation, discount and timing assumptions in present value calculation.

### 3.5 Capital and other commitments

#### Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company and Group are 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:

| <i>In thousands of AUD</i> | <b>2019</b>   | <b>2018</b>   |
|----------------------------|---------------|---------------|
| Less than one year         | 1,635         | 1,696         |
| Between one and five years | 6,221         | 6,312         |
| More than five years       | 11,414        | 12,962        |
|                            | <u>19,270</u> | <u>20,970</u> |

Poseidon Nickel Limited  
Notes to the consolidated financial statements

## 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*

|  | 2019   | 2018  |
|--|--------|-------|
| Bank balances  | 633    | 2,036 |
| Term deposits < 3 months                                 | 24,500 | 12    |
| Cash and cash equivalents in the statement of cash flows | 25,133 | 2,048 |

The effective interest rate on term deposits < 3 months in 2019 was 2.41% (2018: 1.80%).

##### b. Reconciliation of cash flows from operating activities

*In thousands of AUD*

|   | 2019     | 2018    |
|---|----------|---------|
| Cash flows from operating activities                            |          |         |
| Loss for the year   | (10,495) | (9,654) |
| Adjustments for:  |          |         |
| Depreciation  | 398      | 411     |
| Interest expenses - convertible note derivative                 | 2,294    | 2,007   |
| Interest expenses – borrowings                                  | 1        | 6       |
| Change in fair value of convertible note derivative             | (1,939)  | 1,367   |
| Net (profit) / loss on sale of plant and equipment              | (36)     | 15      |
| Net foreign exchange loss                                       | 1,312    | 1,014   |
| Equity-settled share-based payment transactions                 | 136      | 512     |
| Operating loss before changes in working capital and provisions | (8,329)  | (4,322) |
| Change in trade and other receivables                           | (1,034)  | (42)    |
| Change in trade payables and employee benefits                  | (55)     | 601     |
| Net cash used in operating activities                           | (9,418)  | (3,763) |

Poseidon Nickel Limited  
Notes to the consolidated financial statements

**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 Income Statement.

**Current**

*In thousands of AUD*

|                                   | <b>2019</b>  | <b>2018</b> |
|-----------------------------------|--------------|-------------|
| Goods and services tax receivable | 368          | 123         |
| Fuel tax credits receivable       | -            | 12          |
| Interest receivable               | 753          | -           |
| Other receivables                 | 72           | 45          |
| Other assets and prepayments      | 119          | 99          |
|                                   | <b>1,312</b> | <b>279</b>  |

**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*

|  | <b>2019</b>  | <b>2018</b>  |
|--|--------------|--------------|
| Trade payables                                 | 1,360        | 695          |
| Other payables                                 | 582          | 451          |
| Accrued interest – convertible note derivative | 312          | 296          |
|  | <b>2,254</b> | <b>1,442</b> |

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 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, loans and borrowings and convertible note derivatives.

#### KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

##### Convertible note derivative

The fair value of the convertible note derivative is determined using a binomial option pricing model that takes account of the exercise price, the term of the option, the Company's share price at the end of the reporting period, the expected volatility of the underlying share price and the risk-free interest rate (based on government bonds). The expected volatility is based upon historic volatility (based on the remaining life of the options) adjusted for abnormal spikes in the Company's share price.

##### Convertible note liability

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

### 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

| <i>In thousands of shares</i>                        | Ordinary shares |           |
|--|-----------------|-----------|
|  | 2019            | 2018      |
| Ordinary shares                                      |                 |           |
| Fully paid   | 2,642,702       | 1,107,373 |
| Total share capital on issue at 30 June              | 2,642,702       | 1,107,373 |
| Movements in ordinary shares on issue:               |                 |           |
| On issue at 1 July                                   | 1,107,373       | 911,700   |
| <i>Shares issued and expensed during the period:</i> |                 |           |
| Issued for cash (i)                                  | 1,496,283       | 160,000   |
| Issued for interest on convertible notes (ii)        | 7,188           | 35,673    |
| Issued for performance rights                        | 31,858          | -         |
| On issue at 30 June                                  | 2,642,702       | 1,107,373 |

- (i) During the reporting period, the Company issued 1,535,328,611 Ordinary Shares at an average \$0.05 per share to raise \$76,358,817. The capital raising incurred transaction costs of \$3,899,549.
- (ii) Issued as settlement of interest on the convertible note facility. The number of shares to be issued is calculated based on the 5 day VWAP of Company's share price at the date interest becomes due and payable.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 5.1 Capital and reserves (continued)

#### Share capital (continued)

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 Loans and borrowings - Convertible note

#### Convertible note liability and derivative

##### ACCOUNTING POLICY

##### Convertible Note Liability

The liability component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The embedded derivative component is recognised initially at fair value and the liability component is calculated as the difference between the financial instrument as a whole and the value of the derivative at inception. Any directly attributable transaction costs are allocated to the convertible note liability and convertible note derivative in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible note is measured at amortised cost using the effective interest method.

##### Convertible Note Derivative

Derivative financial instruments are stated at fair value. The fair value of the derivative has been valued using a valuation technique including inputs that include reference to similar instruments and option pricing models which is updated each period. Gains and losses arising out of changes in fair value of these instruments together with settlements in the period are accounted for through the Income Statement through net finance costs.

The convertible note liability and derivative are removed from the Statement of Financial Position when the obligations specified in the contract are discharged, this can occur upon the option holder exercising their option or the option period lapses requiring the company to discharge the obligation.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 5.2 Loans and borrowings – Convertible note (continued) Convertible note liability and derivative (continued)

| <i>In thousands of AUD</i>      | <b>Convertible<br/>note liability</b> | <b>Convertible<br/>note derivative</b> | <b>Total</b> |
|---------------------------------|---------------------------------------|--|--------------|
| Carrying amount at 30 June 2018 | 20,944                                | 2,888                                  | 23,832       |
| Fair value movements            | -                                     | (1,939)                                | (1,939)      |
| Accrued interest capitalised    | 2,283                                 | -                                      | 2,283        |
| Payment of interest             | (1,238)                               | -                                      | (1,238)      |
| Exchange rate effects           | 1,153                                 | 159                                    | 1,312        |
| Carrying amount at 30 June 2019 | 23,142                                | 1,108                                  | 24,250       |

The Company has an outstanding convertible note of US\$17.5 million repayable in September 2020. On maturity the note is repayable in cash but may be converted to shares by the note holder prior to this point at a conversion price of A\$0.09 per share. The interest coupon on the note is 5% and can be repaid in cash or shares at the discretion of the Company. The carrying amount of the liability has been calculated at the discounted original fair value, accrued for interest plus exchange adjustments.

The value of the derivative fluctuates with the Company's underlying share price and the difference in the Company's share price between 30 June 2018 (share price \$0.037) and 30 June 2019 (share price \$0.035) is reflected in the fair value movement.

As the convertible note is denominated in United States dollars (USD), the change in the exchange rate with the Australian dollar (AUD) is also taken into account in deriving the fair value movement during the period. The USD:AUD exchange rate at 30 June 2018 was 0.7406:1 and at 30 June 2019, 0.7020:1.

Refer to note 6.2 for details of fair value and sensitivities analysis.

#### 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 including the convertible note (note 5.2) 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. The gearing ratio for the current year is 33% (2018: 180%) for the Group.

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.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 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

The fair value of performance rights granted for STI is measured using the binomial option pricing model and for LTI using a hybrid share option pricing model that includes a Monte Carlo Simulation model due to the market based vesting conditions. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on an evaluation of the company's historic volatility, particularly over the historic period commensurate with the expected term) and weighted average expected life of the instruments (based on historical experience), expected dividends and the risk free interest rate (based on government bonds).

#### 6.1 Share-based payments arrangements

##### ACCOUNTING POLICY

The Group's annual Incentive Performance Rights Plan ("IPRP") provides for short term incentive (STI) and long term incentive (LTI) programs as share-based payment arrangements where employee incentives are settled in performance rights. The directors can elect to receive their annual director fee in performance rights under the Director Performance Rights Plan ("DPRP"). These represent compound financial instruments with potential debt and equity components.

The fair value of the compound instruments is determined by reference to each plan. For approved annual director fees, this is allocated fully to the debt component when the fair value of the cash and equity settlement alternatives are equal. The Group recognises an expense for the debt component and an equivalent liability as services are provided by employees and directors during the performance year, based on the approved STI and LTI award if any, and director fees (i.e. recognised progressively over the vesting period). If the Group issues shares to settle the liability, the liability is transferred to equity at settlement date.

Where the fair value of an employee share option has been recognised as a share based payment and the option lapses at expiry, the total amount of the share based payment expense is transferred from the Shares Based Payment Reserve to Accumulated Losses.

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

| <i>In thousands of AUD</i>                        | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
| Performance rights expense                        | 17          | 645         |
| Reversal of prior year performance rights expense | (143)       | -           |
| Total expenses recognised as employee costs       | (126)       | 645         |

##### Share Options

No options were granted to directors or executives during the reporting period.

There were no options outstanding at 30 June 2019 (2018: Nil).

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.1 Share-based payments arrangements (continued)

##### **Shares**

In prior years, the board could decide to issue shares in relation to the short term performance bonus under the Poseidon Employee Bonus Scheme (“EBS”). The EBS has been replaced by the Incentive Performance Rights Plan as approved by shareholder at the 2015 AGM.

##### **Performance rights**

The Company suspended the STI and LTI Plans effective from 1 July 2017 and no performance rights were granted for FY2018 or FY 2019. All LTI performance rights granted to executives for FY 2016 and FY2017 were forfeited at 30 June 2018 and 30 June 2019, respectively due to the vesting conditions not being satisfied by the due date. The expense continues to be recognised when market conditions are not satisfied and is reversed when non-market conditions are not satisfied.

The board can decide to issue performance rights in relation to short term and long term performance incentive under the Incentive Performance Rights Plan (“IPRP”) approved by shareholders at the November 2015 AGM. The STI performance rights are subject to operational KPIs measured over a 12 month period and the LTI performance rights are measured over a 3 year period with 75% of the performance rights granted measured against the Total Shareholder Return (“TSR”) of a customised peer group of companies and 25% of the performance rights granted measured against an internal strategic target of growth in resource/reserve, once the Company has been in production for a minimum of 18 months.

##### **Total shareholder return**

The following table sets out the vesting outcome for 75% of LTIs based on the Company’s relative TSR performance.

| <b>Relative TSR Performance</b>                            | <b>Performance Vesting Outcomes</b>                |
|--|--|
| Less than 50 <sup>th</sup> percentile                      | 0% vesting   |
| At the 50 <sup>th</sup> percentile                         | 25% vesting  |
| Between 50 <sup>th</sup> and 62.5 <sup>th</sup> percentile | Pro-rata – straight line vesting from 25% and 50%  |
| At the 62.5 <sup>th</sup> percentile                       | 50% vesting  |
| Between 62.5 <sup>th</sup> and 75 <sup>th</sup> percentile | Pro-rata – straight line vesting from 50% and 100% |
| At or above 75 <sup>th</sup> percentile                    | 100% vesting                                       |

Once the Company has been in production for a minimum of 18 months, the quantum increase in reserve/resource will determine the number of performances rights that were granted under this hurdle, to vest. This is on the basis that the Company must replace depletion carried out by mining and then increase total reserves before vesting will begin to occur.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.1 Share-based payments arrangements (continued)

##### *Performance rights (continued)*

##### Internal strategic target

The following table sets out the vesting outcome for 25% of LTIs based on the Company's resource/reserve growth performance.

| <b>Reserves and Resources Growth Performance</b>                                     |   |  |
|--|---|--|
| (only assessable once the Company has been in production for a minimum of 18 months) |   |  |
| <b>Internal Strategic Target</b>   | <b>LTI KPI</b>  | <b>% of Performance Rights Vesting</b>   |
| Reserves and Resources Growth Performance  | Reserves and resources depleted                                 | No performance rights vesting  |
|  | Reserves and resources maintained                               | 50% vesting of the performance rights  |
|  | Reserves grown by up to 30% and resources at least maintained   | Between 50% and 100% vesting (pro-rata on a straight line basis) of the performance rights |
|  | Reserves grown by 30% or more and resources at least maintained | 100% of performance rights vesting   |

The number and weighted average purchase price of shares is as follows:

|                                   | <b>Weighted average fair value</b> | <b>Number of performance rights</b> | <b>Weighted average fair value</b> | <b>Number of performance rights</b> |
|-----------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
|                                   | <b>2019</b>                        | <b>2019</b>                         | <b>2018</b>                        | <b>2018</b>                         |
| Outstanding at 1 July             | \$0.047                            | 36,484,630                          | \$0.053                            | 24,845,408                          |
| Granted during the period         | -                                  | -                                   | \$0.036                            | 14,719,332                          |
| Exercised during the period       | (\$0.040)                          | (31,856,781)                        | -                                  | -                                   |
| Forfeited during the period       | (\$0.053)                          | (4,581,495)                         | (\$0.036)                          | (3,080,110)                         |
| Outstanding at 30 June            | \$0.049                            | 46,354                              | \$0.047                            | 36,484,630                          |
| Vested and exercisable at 30 June | \$0.049                            | 46,354                              | \$0.036                            | 14,719,332                          |

The performance rights granted to non-executive directors during FY18 are equal to and in lieu of the value of cash director fees and issued under the terms of the DPRP. The number of performance rights is calculated quarterly by dividing the value of the director fee by the 91 day volume weighted average price ("VWAP") of the Company's shares for each quarter. In addition, the Chairman receives performance rights for additional duties usually undertaken by the CEO. The number of performance rights is calculated by dividing the value of the monthly fee by the monthly VWAP.

No performance rights have been granted to directors or executives in relation to the 2019 year or since the end of the financial year as all remuneration has been paid in cash.

The performance rights issued to non-executive directors' in FY18 vest immediately upon grant and were exercised during the 2019 year.

The performance rights forfeited are in relation to LTI performance rights granted to executives for FY2016 and FY2017 forfeited at 30 June 2018 and 30 June 2019, respectively due to both market and non-market conditions not being satisfied by the due date.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 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.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.2 Financial risk management (continued)

##### 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 \$25,133,000 (2018: \$2,048,000), investments in term deposits of \$35,012,000 (2018: \$Nil), a security deposit of \$3,500,000 (2018: \$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.

##### 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 convertible 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 2019

| <i>In thousands of AUD</i> | Carrying amount | 6 months or less | Contracted  |           |           |                   |
|----------------------------|-----------------|------------------|-------------|-----------|-----------|-------------------|
|                            |                 |                  | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| Trade and other payables   | 2,254           | 2,254            | -           | -         | -         | -                 |
| Convertible note           | 23,142          | -                | -           | 26,179    | -         | -                 |
|                            | 25,396          | 2,254            | -           | 26,179    | -         | -                 |

#### Consolidated

##### 30 June 2018

| <i>In thousands of AUD</i> | Carrying amount | 6 months or less | Contracted  |           |           |                   |
|----------------------------|-----------------|------------------|-------------|-----------|-----------|-------------------|
|                            |                 |                  | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| Trade and other payables   | 1,442           | 1,442            | -           | -         | -         | -                 |
| Convertible note           | 20,944          | -                | -           | -         | 23,629    | -                 |
|                            | 22,386          | 1,442            | -           | -         | 23,629    | -                 |

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.2 Financial risk management (continued)

##### Liquidity risk (continued)

1. As the convertible note liability (including the associated derivative) can only be paid out in shares and not cash prior to its maturity in 2020, the cash outflow is shown only at maturity; and
2. The maturity analysis has assumed the earliest contractual maturity of the convertible note for a payment in cash. Interest on the convertible note can be settled in shares at the Group's discretion. As such, no interest payments have been included in the analysis.

##### 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.

##### (a) Currency risk

The Group is exposed to currency risk on cash and borrowings that are denominated in a currency other than the functional currency of Group entities, the Australian dollar (AUD). The currency in which these transactions are denominated are United States Dollars (USD).

##### Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows:

| <i>In thousands of AUD</i>                     | 30 June 2019 |          | 30 June 2018 |          |
|--|--------------|----------|--------------|----------|
|  | AUD          | Total    | AUD          | Total    |
| Convertible note derivative                    | (1,108)      | (1,108)  | (2,888)      | (2,888)  |
| Convertible note liability                     | (23,142)     | (23,142) | (20,944)     | (20,944) |
| Gross statement of financial position exposure | (24,250)     | (24,250) | (23,832)     | (23,832) |

##### Sensitivity analysis

The following sensitivities have been applied for 2019 and 2018 based upon published 12 month forward rates:

- A 5% weakening of AUD against the USD with the equal effect in the opposite direction will increase the fair value of the convertible note derivative and liability by \$1,212,500 (2018: \$1,191,000).

##### (b) Interest rate risk

The Group is exposed to interest rate risk due to variable interest being earned on its interest bearing bank accounts and the value of the convertible note derivative (as the derivative fluctuates both with the underlying company share price and the risk free rate of interest). The Group adopts a policy of periodically reviewing interest rates to ensure the Group is earning the optimal interest income.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.2 Financial risk management (continued)

##### Market risk (continued)

##### (b) Interest rate risk (continued)

##### Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

| <i>In thousands of AUD</i>             | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
| <b>Fixed rate instruments</b>          |             |             |
| Cash and cash equivalents              | 24,500      | 12          |
| Other investments – term deposits      | 35,012      | -           |
| Convertible note liability             | 23,142      | 20,944      |
| <i>In thousands of AUD</i>             |             |             |
| <b>Variable rate instruments</b>       |             |             |
| Cash and cash equivalents              | 633         | 2,036       |
| 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 2018 and 2019 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

The Group is exposed to equity price risk on its financial liabilities and equity investments. The liability fluctuates with the Group's underlying share price until either the convertible note is repaid by the Group or the option holder converts. 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.

##### **Price risk sensitivity**

##### *Equity Price Risk*

In relation to the convertible note derivative, the Group has used an equity price change of 80% (2018: 90%) upper and lower representing a reasonable possible change based upon the company's historic share price volatility over the last 3 years of trading. At the reporting date, should the Group's share price be reduced by 80% (2018: 90%) the value of the derivative would be affected and the profit increased by \$1,108,000 (2018: \$2,873,000). An equal and opposite increase in the share price would have reduced profit by \$3,047,000 (2018: \$5,485,000).

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.2 Financial risk management (continued)

##### Market risk (continued)

##### Fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The different valuation methods are called hierarchies and they are described below:

| <i>In thousands of AUD</i>   | Level   | Carrying amount |        | Fair value |        |
|--|---------|-----------------|--------|------------|--------|
|  |         | 2019            | 2018   | 2019       | 2018   |
| <b>Financial assets &amp; liabilities measured at fair value</b>     |         |                 |        |            |        |
| Convertible note derivative  | Level 2 | 1,108           | 2,888  | 1,108      | 2,888  |
| <b>Financial assets &amp; liabilities not measured at fair value</b> |         |                 |        |            |        |
| Convertible note liability   | Level 2 | 23,142          | 20,944 | 22,076     | 19,550 |

##### Fair value hierarchy

Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – the fair values are measured using inputs (other than quoted prices) that are observable for the asset or liability either directly or indirectly; or

Level 3 – the fair values are measured using inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents, trade and other receivables, trade creditors, other creditors and accruals have been excluded from the above analysis as their fair values are equal to the carrying values.

The fair value of convertible note derivatives is determined using a binomial option pricing model. The key drivers of this value include the Company's own share price and the foreign exchange rate. Sensitivities considering reasonably possible movements in these assumptions are included above.

The fair value of the convertible note liability is based on discounted cashflows using a risk adjusted discount rate.

#### 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:

| <i>In thousands of AUD</i>   | 2019             | 2018             |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 924,414          | 561,321          |
| Other long-term benefits     | 50,621           | 56,917           |
| Post-employment benefits     | 57,871           | 48,690           |
| Share-based payments         | -                | 621,029          |
| Termination benefits         | 224,407          | -                |
|                              | <b>1,257,313</b> | <b>1,287,957</b> |

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.3 Related parties (continued)

##### 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 8.3.

Apart from the details disclosed in this note, no director 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 |      |
|---|--------------------------|--------------------|------|
|   |                          | 2019               | 2018 |
| Poseidon Nickel Limited                     |                          |                    |      |
| <b>Significant subsidiaries</b>             |                          |                    |      |
| Poseidon Nickel Atlantis Operations Pty Ltd | Australia                | 100%               | 100% |
| Poseidon Nickel Olympia Operations Pty Ltd  | Australia                | 100%               | 100% |

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

#### 6.5 Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2019 the parent company of the Group was Poseidon Nickel Limited.

| <i>In thousands of AUD</i>                                 | 2019          | 2018          |
|--|---------------|---------------|
| <b>Results of the parent entity</b>                        |               |               |
| Loss for the year  | (10,495)      | (9,654)       |
| Total comprehensive loss for the year                      | (10,495)      | (9,654)       |
| <b>Financial position of the parent entity at year end</b> |               |               |
| Current assets   | 61,457        | 2,327         |
| Total assets   | 150,647       | 85,019        |
| Current liabilities  | 5,869         | 5,132         |
| Total liabilities  | 76,537        | 71,730        |
| <b>Total equity of the parent entity comprising of:</b>    |               |               |
| Share capital  | 228,796       | 156,337       |
| Share based payments reserve                               | 2             | 1,173         |
| Accumulated losses   | (154,688)     | (144,221)     |
| <b>Total equity</b>  | <b>74,110</b> | <b>13,289</b> |
| <b>Exploration expenditure commitments of the parent</b>   |               |               |
| Less than one year   | 1,635         | 1,696         |
| Between one and five years                                 | 6,221         | 6,312         |
| More than five years                                       | 11,414        | 12,962        |
|  | <b>19,270</b> | <b>20,970</b> |

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.5 Subsequent events

On 11 July 2019, the Company announced the appointment of Mr Brendan Shalders as Chief Financial Officer and Company Secretary with effect from 9 September 2019.

On 15 July 2019, the Company announced that all three Resolutions set out in the Proxy Statement dated 17 June 2019 and considered at the General meeting of Shareholders held on 15 July 2019 were passed and provided the replacement Constitution approved at the meeting.

On 2 September 2019, the Company announced the appointment of Mr David Riekie as Interim Chief Executive Officer, following the retirement of Mr Rob Dennis and pending an appointment of a permanent Managing Director and Chief Executive Officer.

On 9 September 2019, the Company announced the appointment of Mr Brendon Shalders as Joint Company Secretary. Ms Eryn Kestel also continues as Joint Company Secretary.

#### 6.6 Auditor's remuneration

| <i>In AUD</i>                         | Consolidated |        |
|---------------------------------------|--------------|--------|
|                                       | 2019         | 2018   |
| Audit services                        |              |        |
| Auditors of the Group – KPMG          |              |        |
| Audit and review of financial reports | 63,000       | 72,000 |
|                                       | 63,000       | 72,000 |
| Services other than statutory audit   |              |        |
| Form 5 audit                          | 6,000        | -      |
|                                       | 69,000       | 72,000 |
|                                       | 69,000       | 72,000 |

#### 6.7 Changes in accounting policies

##### **AASB 9 Financial Instruments**

AASB 9, published in July 2014, replaces the existing guidance in AASB 39 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 39.

The revisions to the classification and measurement requirements and hedging changes and changes in relation to the expected credit loss model for calculating impairment on financial assets have not had a material impact based on the short-term nature of the Group's assets.

The adoption of the above standard from 1 July 2018 has had no financial impact on these condensed financial statements and therefore did not give rise to any adjustments in the condensed financial statements.

##### **AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 *Revenue*, AASB 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

The Group does not currently have any revenue so there has not been any material impact.

The adoption of this standard from 1 July 2018 has had no financial impact on these condensed financial statements and did not give rise to any adjustments in the condensed financial statements.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.8 New standards and interpretations not yet adopted

##### **AASB 16 Leases**

The key feature of AASB 16 for (lease accounting) are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use asset similarly to other non-financial assets and lease liabilities similar to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-lined payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

AASB 16 contains disclosure requirements for lessees and is effective for annual reporting periods beginning on 1 July 2019, with early adoption permitted. The Group has assessed the potential impact on its consolidated financial statements resulting from the application of AASB 16. All current leases and major contracts have been reviewed and there is not expected to be a material impact.

## Poseidon Nickel Limited Directors' declaration

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 19 to 50 and the Remuneration report in section 7.6 in the Directors' report, 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 2019 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 chief executive officer and chief financial officer for the financial year ended 30 June 2019.
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 G Brayshaw**  
**Director**

Perth  
9 September 2019



# 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 2019 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 2019.
- 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.
- 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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

The **Key Audit Matters** we identified are:

- Exploration and Evaluation Expenditure; and
- Site Rehabilitation Provisions.

**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.



| Exploration and Evaluation Expenditure (A\$60.9m)  |  |
|--|--|
| Refer to Note 3.1 to the Financial Report  |  |
| The key audit matter   | How the matter was addressed in our audit  |
| <p>Exploration and evaluation expenditure capitalised (E&amp;E) is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the activity to the Group's business and the balance (being 40% of total assets); and</li> <li>• The greater level of audit effort to evaluate the Group's application 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 presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&amp;E. Given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination of no impairment indicators.</li> </ul> <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> <li>• The determination of the areas of interest (areas);</li> <li>• The documentation available regarding rights to tenure and compliance with relevant conditions to maintain current rights to an area of interest;</li> <li>• The authoritative nature of external registry sources;</li> <li>• The Group's intention and capacity to continue the relevant E&amp;E activities; and</li> <li>• The Group's determination of E&amp;E recovery through successful development and exploitation of the area of interest, or alternatively, by its sale.</li> </ul> <p>In assessing the presence of impairment indicators, we focused on those which may draw into question the commercial continuation of E&amp;E activities for areas of interest where significant capitalised E&amp;E exists. In addition to the assessments above, we paid particular attention to:</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard.</li> <li>• We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard.</li> <li>• For each area of interest, we checked the Group's current rights to tenure to government registries. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses.</li> <li>• We evaluated the Group's assessment of prospectivity for consistency with their stated intentions for continuing E&amp;E in its areas of interest. We assessed this through interviews with key operational and finance personnel. The Group documents we evaluated included: <ul style="list-style-type: none"> <li>• Internal plans</li> <li>• Minutes of board meetings</li> <li>• Announcements made by the Group to the Australian Securities Exchange.</li> </ul> </li> <li>• We assessed the impact of the ongoing uncertain nickel market to the Group's models underlying their decision for commercial continuation of activities.</li> <li>• We tested additions to E&amp;E in the year by evaluating a statistical sample for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard.</li> </ul> |



|   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• The impact of the ongoing volatility in the nickel market and prices on the Group's strategy and intentions; and</li> <li>• 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&amp;E activities in those areas of interest.</li> </ul> <p>These assessments can be inherently difficult, particularly in uncertain market conditions such as those currently being experienced in the nickel industry.</p>   |   |
| <b>Site Rehabilitation Provisions (A\$49.9)</b>   |   |
| Refer to Note 3.4 to the Financial Report   |   |
| <b>The key audit matter</b>   | <b>How the matter was addressed in our audit</b>  |
| <p>The determination of site rehabilitation provisions relating to Lake Johnston, Black Swan and Mt Windarra nickel exploration and evaluation assets is considered to be a key audit matter. This is due to the inherent complexity for the Group in estimating future environmental rehabilitation costs and for us in gathering persuasive audit evidence on the costs, particularly regarding those to potentially be incurred many years in the future.</p> <p>This is influenced by:</p> <ul style="list-style-type: none"> <li>• The current environmental and regulatory requirements, and the impact on completeness of environmental rehabilitation activities incorporated into the provisions estimate;</li> <li>• The expected environmental management strategy, and the nature of costs incorporated into the provisions estimate; and</li> <li>• The expected timing of the expenditure, given the sites are on care and maintenance with no set timeline for commencement of mining activities.</li> </ul> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Comparing the basis for recognition and measurement of the provisions for consistency with environmental and regulatory requirements and criteria in the accounting standards.</li> <li>• Assessing the Group's determination of future required activities, their timing, and associated cost estimations contained within the provisions. We did this by comparing to the Group's external expert reports as well as Group prepared documentation across the sites where future obligations exist. These comparisons included unit costs, levels of disturbance and relevant regulatory requirements. We did this with an understanding of the Group's strategy for each site.</li> <li>• Assessing the competence, scope and objectivity of the Group's external experts used in determination of the provisions estimate.</li> <li>• Evaluating the completeness of the provisions to include each area of interest where disturbance requires rehabilitation based on our understanding of the Group's operations.</li> </ul> |



## 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 Remuneration Report and ASX additional information. The Chairman's message, CEO's report, Geology Update and Mineral Resource Statement 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 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.
- 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: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.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 2019, complies 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 9 to 16 of the Directors' report for the year ended 30 June 2019.

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

KPMG

KPMG

GL + 177

Graham Hogg  
Partner

Perth

9 September 2019



# 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 2019 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

GL + 177

Graham Hogg  
Partner

Perth

9 September 2019

## Poseidon Nickel Limited

### ASX Additional information

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 6 September 2019.

#### 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        | 1,789                    | 790,091                    |
| 1,001 – 5,000    | 1,806                    | 5,278,203                  |
| 5,001 – 10,000   | 981                      | 8,004,918                  |
| 10,001 – 100,000 | 3,000                    | 119,825,380                |
| 100,001 and over | 1,318                    | 2,508,803,239              |
|                  | <b>8,894</b>             | <b>2,642,701,831</b>       |

There were 4,124 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:

| Name   | Ordinary shares      |                             |
|--|----------------------|-----------------------------|
|  | Number held          | Percentage of issued shares |
| Edison Metals Pty Ltd  | 522,925,412          | 19.79                       |
| Forrest Family Investments Pty Ltd <Peepingee A/C>   | 452,292,204          | 17.11                       |
| Citicorp Nominees Pty Limited  | 158,934,011          | 6.01                        |
| UBS Nominees Pty Ltd   | 106,867,098          | 4.04                        |
| Brispot Nominees Pty Ltd <House Head Nominee A/c>  | 87,856,098           | 3.32                        |
| CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/c>                               | 45,765,051           | 1.73                        |
| J P Morgan Nominees Australia Limited  | 39,559,565           | 1.50                        |
| BNP Paribas Noms Pty Ltd <DRP>   | 35,973,829           | 1.36                        |
| Warbont Nominees Pty Ltd <Unpaid Entrepot A/c>   | 34,283,827           | 1.30                        |
| Farjoy Pty Ltd   | 33,477,538           | 1.27                        |
| Mrs Rena Elizabeth Indermaur   | 26,122,794           | 0.99                        |
| Mr Christopher Charles Indermaur + Mrs Rena Elizabeth Indermaur <Indermaur Family S/F A/C> | 25,899,682           | 0.98                        |
| Brazil Farming Pty Ltd   | 25,000,000           | 0.95                        |
| HSBC Custody Nominees (Australia) Limited  | 21,931,023           | 0.83                        |
| Minderoo Pty Ltd <Andrew & Nicola Forrest Family Investment A/c>                           | 20,632,500           | 0.78                        |
| Xue Investments Pty Limited <Xue Family A/c>   | 19,121,345           | 0.72                        |
| Brahma Finance BVI Limited   | 17,900,000           | 0.68                        |
| Mr Damian Ronald Gillman + Mrs Lucia Gillman <Damian & Lucia Gillman A/c>                  | 12,500,000           | 0.47                        |
| National Nominees Limited  | 12,022,810           | 0.45                        |
| Mr Robert Dennis   | 12,015,926           | 0.45                        |
| <b>Total</b>   | <b>1,711,080,713</b> | <b>64.73</b>                |

Poseidon Nickel Limited  
ASX Additional information (continued)

**C. Substantial holders**

Substantial holders in the company are set out below:

|  | <b>Number held</b> | <b>Percentage</b> |
|--|--------------------|-------------------|
| <b>Ordinary shares</b>                             |                    |                   |
| Black Mountain Metals Pty Ltd                      | 522,925,412        | 19.79             |
| Forrest Family Investments Pty Ltd <Peepingee A/C> | 452,292,204        | 17.11             |

**D. Unquoted equity security holders (as at 6 September 2019)**

|                            | <b>Number held</b> | <b>Percentage</b> |
|----------------------------|--------------------|-------------------|
| Unlisted Equity Securities | Nil                | Nil               |

**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.

Poseidon Nickel Limited  
ASX Additional information (continued)

**F. Schedule of Tenements**

| <b>Areas of Interest</b>      | <b>Tenements</b>   | <b>Economic Entity's Interest</b> |
|-------------------------------|--|-----------------------------------|
| <b>Western Australia</b>      |  |                                   |
| - Windarra Nickel Assets      | MSA 38/261, G38/21, L38/121, L39/184, L38/199, L38/218, L39/221  | 100%                              |
| - Windarra South              | L38/119, L38/122, L38/220  | 100%                              |
| - Woodline Well               | M39/1075, L39/224  | 100%                              |
| - Pool Well                   | M38/1244, M38/1245, L38/118  | 100%                              |
| - Lake Johnston Nickel Assets | E63/1067, 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    | M27/0039, M27/0200, M27/214, 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