



POSEIDON NICKEL LIMITED

ABN 60 060 525 206

Interim Financial Report

For the six months ended 31 December 2019

Poseidon Nickel Limited Contents

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Poseidon Nickel Limited

Corporate directory

ABN: 60 060 525 206
Incorporated in Australia

Directors

Mr Derek La Ferla
Mr Geoff Brayshaw
Mr Karl Paganin
Ms Felicity Gooding

Joint Company Secretaries

Mr Brendan Shalders
Ms Andrea Betti

Registered Office

Unit 8, Churchill Court
331-335 Hay Street
Subiaco WA 6008

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Email: admin@poseidon-nickel.com.au
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 six months ended 31 December 2019

The directors of Poseidon Nickel Limited ("Poseidon" or "the Company") present their report together with the condensed consolidated interim financial report for the six months ended 31 December 2019 and the auditor's review report thereon.

Contents of Directors' report

- 1. Directors**
- 2. Operating and Financial Review**
- 3. Dividends**
- 4. Events subsequent to reporting date**
- 5. Lead auditor's independence declaration**
- 6. Rounding off**

Poseidon Nickel Limited

Directors' report (continued)

For the six months ended 31 December 2019

1. Directors

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive Mr Derek La Ferla <i>Independent Chairman</i>	Appointed 3 December 2019
Mr Geoff Brayshaw <i>Independent Non-Executive Director</i>	Appointed 1 February 2008. Resigned as Interim Chairman on 3 December 2019
Mr Karl Paganin <i>Non-Executive Director</i>	Appointed 1 October 2018
Ms Felicity Gooding <i>Non-Executive Director</i>	Appointed 1 October 2018
Mr Robert Dennis <i>Managing Director and CEO</i>	Resigned 31 August 2019

2. Operating and Financial Review

Overview

Poseidon remains focused on developing its assets in Western Australia. The strategy has been to accumulate nickel assets, economically maintain the assets in good standing and await an anticipated recovery in the nickel market. Poseidon has gathered a suite of projects which are strategically located and offer near term production opportunities with a positive swing in the nickel price.

During first half FY20 the Company strengthened its Board and management team with a number of appointments including Derek La Ferla as Independent Chairman, Peter Harold as Managing Director (to commence 3 March 2020) and Brendan Shalders as CFO and Joint Company Secretary.

Poseidon is continuing to assess plans to recommission the Black Swan operation just North of Kalgoorlie, including the high-grade Silver Swan underground mine, Black Swan open pit and concentrator. Concurrently, the Company intends to pursue value add activities at Lake Johnston and Windarra nickel operations.

Exploration drilling continues to support existing resource inventory and potentially create longevity to the intended operations at Poseidon nickel assets. During first half FY20 Poseidon undertook exploration drilling programs below the Black Swan open pit and at the Crazy Diamond prospect at Windarra. In addition, further analysis of drilling results from drilling at Silver Swan during the prior financial year increased the reserve from 57kt @ 5.8% Ni grade to 130kt @ 5.2% Ni grade.

During FY19 the Company raised \$71 million (net of costs), through the placement of shares to sophisticated and professional investors and a fully underwritten renounceable entitlement issue. The Company held cash of \$51.6 million at 31 December 2019 placing Poseidon in a strong financial position. Net cash was \$27.9 million at 31 December 2019 with the Company's convertible note facility maturing 30 September 2020. The Company is undertaking a process to consider options for restructuring / refinancing this facility.

Poseidon Nickel Limited
Directors' report (continued)
For the six months ended 31 December 2019

2. Operating and Financial Review (continued)

Projects - Black Swan

The operations at Black Swan remained on care and maintenance during the period with the restart on hold pending improved market conditions. Key safety activities such as escape emergency ladder way repairs and processing facility clean up and pre-refurbishment works were conducted over the period in preparation of a restart at the Black Swan operations.

In addition to the safety works the Company performed further studies to assess the availability of water sources for a restart of the Black Swan concentrator; the potential for power source from the local grid and required electrical infrastructure and configuration to accommodate various power sources; and structural integrity of sections of the concentrator.

On-going dewatering, regulatory and licence compliance requirements activities continued during the period and the site remains in good standing.

Projects - Lake Johnston

The operations at Lake Johnston also remained on care and maintenance during the period. Similarly, the Company maintained a focus on regulatory and licence compliance requirement activities during the period and the site remains in good standing.

Projects – Windarra

The Windarra mine and infrastructure remains on care and maintenance. The ore resources at Windarra and Cerberus totalling 148,500 tonnes of nickel remains significant to the longer-term planning for Poseidon.

Drilling conducted at the Crazy Diamond prospect over first half FY20 demonstrated potential for additional nickel resources at this site. Subsequent to period end, assays received from the Crazy Diamond drill program indicated both nickel and gold mineralisation.

The process of terminating the State Agreement continues with the Department of Jobs, Tourism, Science & Innovation. Terminating the State Agreement requires the Windarra tenements to transition to the Mining Act and will trigger a Mine Rehabilitation Fund levy. Rents and Shire Rates will remain unaffected by the termination and the current environmental bond will be transferred to the Department of Mines, Industry, Regulation & Safety.

Financial Position

For the six months ended 31 December 2019 the Group incurred a loss of \$6,994,000 (2018: loss \$7,287,000) and had a net working capital surplus of \$22,947,000 (30 June 2019: surplus \$55,588,000). The working capital surplus as at 31 December 2019 includes the US\$17.5 million convertible note (31 December 2019: \$23,708,000) which matures 30 September 2020 (classified as non-current borrowings at 30 June 2019). In addition, the working capital surplus includes a provision for environmental rehabilitation of \$3,500,000 that is cash backed (non-current asset).

The Group had a net cash outflow from operating activities of \$5,136,000 (2018: \$5,036,000) and a net cash inflow from investing activities of \$32,602,000 (2018: outflow \$26,362,000). Operating cash outflow reflects ongoing exploration and evaluation, mine refurbishment and care and maintenance activities across the three operations of Black Swan, Lake Johnston and Windarra. Investing cash inflow reflects proceeds from term deposits which matured within 3 months as at 31 December 2019, net of payments for exploration and evaluation activities. The Group held cash and cash equivalents of \$51,643,000 at 31 December 2019 (30 June 2019: \$25,133,000), noting that \$35,012,000 term deposits with maturity greater than 3 months were classified as Other Investments at 30 June 2019 (nil at 31 December 2019).

Poseidon Nickel Limited
Directors' report (continued)
For the six months ended 31 December 2019

3. Dividends

No dividends were paid or proposed during the six months ended 31 December 2019.

4. Events subsequent to reporting date

There has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

5. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 8 and forms part of the directors' report for the six months ended 31 December 2019.

6. Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with this Instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



Mr D La Ferla
Independent Chairman

Perth
26 February 2020



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 review of Poseidon Nickel Limited for the half-year ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

GL + 177

Graham Hogg

Partner

Perth

26 February 2020

Poseidon Nickel Limited
Condensed consolidated interim statement of financial position
As at 31 December 2019

<i>In thousands of AUD</i>	Note	31 Dec 2019	30 Jun 2019
Assets			
Cash and cash equivalents		51,643	25,133
Trade and other receivables		751	1,312
Other investments – term deposits		12	35,012
Total current assets		52,406	61,457
Plant and equipment	3.1	24,629	24,744
Exploration and evaluation expenditure	3.1	62,555	60,946
Other		3,500	3,500
Total non-current assets		90,684	89,190
Total assets		143,090	150,647
Liabilities			
Trade and other payables		1,299	2,254
Loans and borrowings	4.2	23,708	-
Convertible note derivative	4.2	831	-
Employee benefits		121	115
Provisions		3,500	3,500
Total current liabilities		29,459	5,869
Loans and borrowings	4.2	-	23,142
Convertible note derivative	4.2	-	1,108
Provisions		46,488	46,418
Total non-current liabilities		46,488	70,668
Total liabilities		75,947	76,537
Net Assets		67,143	74,110
Equity			
Share capital	4.1	228,796	228,796
Reserves		29	2
Accumulated losses		(161,682)	(154,688)
Total equity attributable to equity holders of the Company		67,143	74,110

The condensed notes on pages 13 to 19 are an integral part of these condensed consolidated interim financial statements.

Poseidon Nickel Limited
 Condensed consolidated interim statement of profit or loss and other
 comprehensive income
 For the six months ended 31 December 2019

<i>In thousands of AUD</i>	Note	31 Dec 2019	31 Dec 2018
Other income		78	131
Depreciation expense		(9)	(22)
Personnel expenses		(432)	(478)
Exploration and evaluation costs expensed	3.1	(3,996)	(2,924)
Repairs and maintenance costs expensed		(1,199)	-
Consultancy and advisor fees		(697)	(1,413)
Share based payment expense	5.1	(27)	(37)
Other expenses		(339)	(598)
Results from operating activities		(6,621)	(5,341)
Finance income		840	396
Finance costs		(1,213)	(2,342)
Net finance income / (costs)	2.2	(373)	(1,946)
Loss before income tax		(6,994)	(7,287)
Income tax benefit		-	-
Total comprehensive loss for the period		(6,994)	(7,287)
Earnings per share			
Basic and diluted loss per share (cents/share)		(0.26)	(0.59)

The condensed notes on pages 13 to 19 are an integral part of these condensed consolidated interim financial statements.

Poseidon Nickel Limited

Condensed consolidated interim statement of changes in equity

For the six months ended 31 December 2018

In thousands of AUD

	Share Capital	Share based payment reserve	Accumulated losses	Total equity
Balance at 1 July 2018	156,337	1,173	(144,221)	13,289
Loss	-	-	(7,287)	(7,287)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(7,287)	(7,287)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of share capital (net of costs)	71,180	-	-	71,180
Issue of performance rights	-	300	-	300
Transfer to accumulated losses upon forfeiture of performance rights	-	(50)	50	-
Performance rights exercised	1,279	(1,279)	-	-
Total contributions by and distributions to owners	72,459	(1,029)	50	71,480
Balance at 31 December 2018	228,796	144	(151,458)	77,482

For the six months ended 31 December 2019

In thousands of AUD

	Share Capital	Share based payment reserve	Accumulated losses	Total equity
Balance at 1 July 2019	228,796	2	(154,688)	74,110
Loss	-	-	(6,994)	(6,994)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(6,994)	(6,994)
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners				
Issue of share options	-	27	-	27
Total contributions by and distributions to owners	-	-	-	27
Balance at 31 December 2019	228,796	29	(161,682)	67,143

The condensed notes on pages 13 to 19 are an integral part of these condensed consolidated interim financial statements.

Poseidon Nickel Limited
 Condensed consolidated interim statement of cash flows
 For the six months ended 31 December 2019

<i>In thousands of AUD</i>	Note	31 Dec 2019	31 Dec 2018
Cash flows from operating activities			
Sundry receipts		257	79
Payments to suppliers and employees		(6,450)	(5,397)
Cash used in operations		(6,193)	(5,318)
Interest received		1,057	282
Net cash used in operating activities		(5,136)	(5,036)
Cash flows from investing activities			
Payments for property, plant and equipment		(12)	(118)
Proceeds from sale of property, plant and equipment		-	36
Payments for exploration and evaluation expenditure		(2,387)	(1,264)
Payments for other investments – term deposits		-	(25,016)
Proceeds from other investments – term deposits		35,000	-
Net cash received from / (used in) investing activities		32,601	(26,362)
Cash flows from financing activities			
Proceeds from issue of shares and options (net of costs)		-	70,915
Repayment of borrowings		-	(42)
Interest paid		(956)	(366)
Net cash (used in) / received from financing activities		(956)	70,507
Net increase in cash and cash equivalents		26,510	39,109
Cash and cash equivalents at 1 July		25,133	2,048
Cash and cash equivalents at 31 December		51,643	41,157

The condensed notes on pages 13 to 19 are an integral part of these condensed consolidated interim financial statements.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

Section 1 – Basis of Preparation

Poseidon Nickel Limited (“Poseidon” or “the Company”) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in exploration, mining and production of nickel and other minerals.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2019 is available upon request from the Company’s registered office at Unit 8, Churchill Court, 331-335 Hay Street, Subiaco WA 6000 or at www.poseidon-nickel.com.au.

1.1 Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and with IAS 34 *Interim Financial Reporting*.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2019.

This condensed consolidated interim financial report was approved by the Board of Directors on 26 February 2020.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 and in accordance with this Instrument, amounts in the financial report and directors’ report have been rounded off to the nearest thousand dollars, unless otherwise stated.

1.2 Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated interim financial report are consistent with those adopted and disclosed in the Company’s 2019 annual financial report for the financial year ended 30 June 2019. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Except as described below, the accounting policies applied in these condensed financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 30 June 2019.

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 assets 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.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

Section 1 – Basis of Preparation (continued)

1.2 Significant accounting policies (continued)

AASB 16 Leases (continued)

The Group has chosen to apply the practical expedients relating to low value and short-term leases and as a result there are no leases requiring disclosure so there has not been any material impact.

The adoption of this standard from 1 July 2019 has had no impact on these condensed financial statements and did not give rise to any adjustments in the condensed financial statements.

1.3 Estimates

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

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying this Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2019.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

Section 2 – Results for the Half Year

2.1 Operating segments

For management purposes the Group has one operating segment, being nickel exploration and evaluation in Australia.

Information about reportable segments

In thousands of AUD

For the six months ended 31 December

Reportable segment other income	
Reportable segment exploration costs expensed	
Reportable segment repairs and maintenance costs expensed	
Reportable segment loss before income tax	
Reportable segment assets	
Reportable segment liabilities	
Capital expenditure	

Nickel exploration and evaluation

	2019	2018
Reportable segment other income	74	120
Reportable segment exploration costs expensed	(3,996)	(2,924)
Reportable segment repairs and maintenance costs expensed	(1,199)	-
Reportable segment loss before income tax	(5,121)	(2,804)
Reportable segment assets	90,400	84,155
Reportable segment liabilities	50,938	47,353
Capital expenditure	1,550	105
Reconciliations of reportable segment profit / (loss) and assets		
Loss		
Total loss for reportable segments	(5,121)	(2,924)
Unallocated amounts: other corporate expenses	(1,500)	(2,537)
Net finance costs	(373)	(1,946)
Loss before income tax	(6,994)	(7,287)
Assets	31 Dec 2019	30 Jun 2019
Total assets for reportable segments	90,400	88,815
Other assets	52,690	61,832
	143,090	150,647
Liabilities		
Total liabilities for reportable segments	50,938	51,386
Other liabilities	25,009	25,151
	75,947	76,537

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2019.

2.2 Net financing costs

Net financing costs can be analysed as follows:

In thousands of AUD

Interest income on bank deposits	
Change in fair value of convertible note derivative	
Net foreign exchange gain	
Finance income	
Interest expense – convertible note	
Interest expense - loan	
Net foreign exchange loss	
Finance costs	
Net finance (cost) / income	

	31 Dec 2019	31 Dec 2018
Interest income on bank deposits	560	396
Change in fair value of convertible note derivative	277	-
Net foreign exchange gain	3	-
Finance income	840	396
Interest expense – convertible note	(1,213)	(1,135)
Interest expense - loan	-	-
Net foreign exchange loss	-	(1,207)
Finance costs	(1,213)	(2,342)
Net finance (cost) / income	(373)	(1,946)

Poseidon Nickel Limited
Notes to the condensed consolidated interim financial statements

Section 3 – Assets and Liabilities Supporting Exploration and Evaluation

3.1 Exploration and evaluation expenditure

<i>In thousands of AUD</i>	31 Dec 2019	30 Jun 2019
Costs carried forward in respect of areas of interest in the following phase: Exploration and evaluation phase	62,555	60,946
Reconciliations: Exploration and evaluation phase		
Carrying amount at beginning of period	60,946	54,270
Additions	1,539	3,024
Movements in provisions	70	3,652
	62,555	60,946

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 \$3,996,000 (2018: \$2,924,000) was expensed as incurred through the Income Statement for the period.

Plant and Equipment

Plant and equipment associated with the Lake Johnston and Black Swan nickel operations of \$22,983,000 (30 June 2019: \$22,983,000) remains on care and maintenance. Both projects remain in the exploration and evaluation phase and accordingly associated plant and equipment items are not installed and ready for use. No depreciation has been charged on these assets.

Poseidon Nickel Limited
Notes to the condensed consolidated interim financial statements

Section 4 – Equity and Funding

4.1 Capital and reserves

Share capital

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

(i) No Ordinary Shares were issued during the current reporting period.

4.2 Loans and borrowings – Convertible Note

Convertible note liability and derivative

<i>In thousands of AUD</i>	Convertible note liability	Convertible note derivative	Total
Balance at 30 June 2019	23,142	1,108	24,250
Fair value movements	-	(277)	(277)
Accrued interest capitalised	1,213	-	1,213
Payment of interest	(644)	-	(644)
Exchange rate effects	(3)	-	(3)
Balance at 31 December 2019	23,708	831	24,539

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 as 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 2019 (share price \$0.035) and 31 December 2019 (share price \$0.046) 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 2019 was 0.7020:1 and at 31 December 2019, 0.7021:1.

Poseidon Nickel Limited
Notes to the condensed consolidated interim financial statements

Section 4 – Equity and Funding (continued)

4.2 Loans and borrowings – Convertible Note (continued)

Convertible note liability and derivative (continued)

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of the convertible note derivative has been determined by firstly computing the fair value per convertible option feature multiplied by the number of outstanding options. The fair value per option is computed using a binomial option pricing model that takes into account of the exercise price, the terms 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.

All significant inputs required to fair value the convertible note derivative are based on observable market data, as such the instrument is included in level 2.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

Section 5 – Other Disclosures

5.1 Share-based payments arrangements

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

<i>In thousands of AUD</i>	31 Dec 2019	31 Dec 2018
Performance rights expense	-	37
Options expense	27	-
Total expenses recognised as employee costs	27	37

Share Options

During the reporting period Mr La Ferla was appointed Independent Chairman of Poseidon with a commencement date of 3 December 2019 (Commencement Date). Mr La Ferla was granted options on appointment as detailed below.

Subject to shareholder approval, Mr La Ferla was granted options as a sign on incentive (Options) to acquire shares in the Company as follows:

- 1,000,000 Options each with an exercise price of 100% of the 5 Day Volume Weighted Average Price (VWAP) of shares immediately prior to Mr La Ferla's commencement date of 3 December 2019, expiring three (3) years from the Commencement Date (Expiry Date); and
- 1,000,000 Options each with an exercise price of 150% VWAP of shares immediately prior to Commencement Date, expiring four (4) years from the Commencement Date (Expiry Date).

The Options are exercisable at any time on or prior to the Expiry Date.

The fair value of Options (being \$0.013 for 3 year Options, \$0.014 for 4 year Options) is measured using the Black Scholes pricing model. Measurement inputs include share price at 31 December 2019 (Reporting Date) (\$0.046), exercise price of 100% and 150% to VWAP, time to expiration, expected volatility (of 70%, based on an evaluation of the Company's historic volatility and outlook over the time to expiration) and the risk free interest rate (based on government bonds, being 1.04%).

The full fair value has been expensed on commencement with any subsequent change in value up to shareholder approval date to be recorded in the income statement at that time.

Performance Rights

Performance conditions associated with the short term and long-term incentive rights are consistent with those disclosed in the 30 June 2019 financial statements (refer note 6.1).

No performance rights were granted to directors or employees during the reporting period.

5.2 Subsequent events

There has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Poseidon Nickel Limited Directors' declaration

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

1. the condensed financial statements and notes set out on pages 9 to 19 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Mr D La Ferla
Director

Perth
26 February 2020



Independent Auditor's Review Report

To the shareholders of Poseidon Nickel Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Poseidon Nickel Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Poseidon Nickel Limited is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated interim statement of financial position as at 31 December 2019.
- Condensed consolidated interim statement of profit or loss and other comprehensive income, Condensed consolidated interim statement of changes in equity and Condensed consolidated interim statement of cash flows for the half-year ended on that date.
- Notes 1 to 5.2 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

The **Group** comprises Poseidon Nickel Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- The preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- For such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Poseidon Nickel Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Graham Hogg

Partner

Perth

26 February 2020