

QUARTERLY REPORT

31 DECEMBER 2014

COMPANY OVERVIEW

Poseidon Nickel Limited is a nickel sulphide development company with 3 near operational projects located within a radius of 300km from Kalgoorlie in the Goldfields region of Western Australia.

Poseidon's strategy is focussed on the recommencement of operations at established nickel producers in Australia where project risk capital and operating costs are low. A critical element of this strategy is to acquire projects with high levels of geological prospectivity likely to lead to a substantial extension of the projects life through the application of modern nickel exploration techniques. These exploration techniques have been proven repeatedly at Poseidon as well as several other well-known nickel producers in Australia.

Poseidon owns the Windarra Nickel Project which will produce ore to be toll treated locally as well as Lake Johnston which incorporates a large concentrator of its own. Poseidon has recently announced its intention to purchase the Black Swan Project which also includes its own concentrator plant.

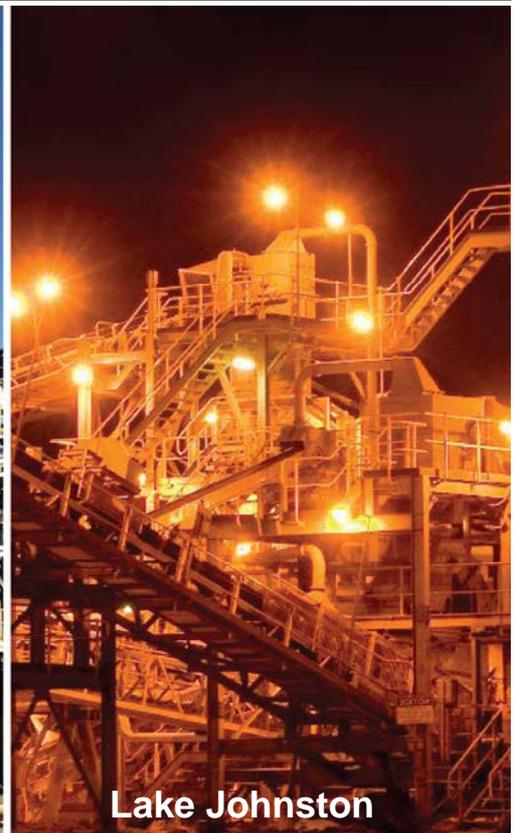
ASX Code: POS



Windarra



Black Swan



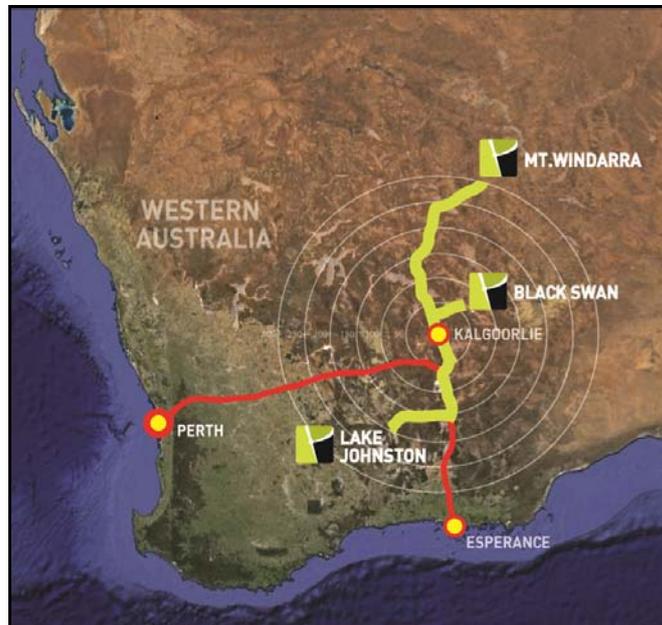
Lake Johnston

COMPANY MILESTONES

- Poseidon raised A\$30m of equity through a share issue in October 2014
- Project clearances from regulatory bodies for Windarra being pursued to allowing mining to commence
- General preparations for mining underway at Windarra including dewatering upgrade, geotechnical drilling and G Shoot extension drilling to reduce lead times
- Lake Johnston interim DFS published in December 2014
- Major resource upgrade at Lake Johnston underway
- Black Swan completion moved to end March 2015 latest

OVERVIEW

During the quarter to December 2014, Poseidon has taken significant steps towards enabling the intensive programme of works required to prepare its projects for production during 2015. One of these key steps was the completion of a capital raising for A\$30 million in October which will allow the recommencement of refurbishment activities at Mt Windarra and early capital works at Lake Johnston to commence. The works include staff recruitment, the progression of numerous engineering activities, liaison with regulatory parties and physical onsite works at Windarra. An update to these activities is outlined below.



Windarra Nickel Project Update

Final initiation of the Windarra project requires Poseidon's toll treating party to receive regulatory approval to receive and treat the Windarra ore. Poseidon's regulatory approval to ship ore is linked to this clearance. Both Poseidon and the toll treatment party have been actively involved with the various governmental departments since the offtake deal was signed in October 2014. Whilst the nature of the approval sought is relatively straightforward, the process is reasonably complex and therefore creates some uncertainty on timescales. Poseidon's current internal working assumption is that clearances should be

completed in the early part of the second quarter of 2015. In the meantime, Poseidon will do what it can reasonably to reduce start up lead times at Windarra.

Poseidon is also reviewing an option to undertake the bulk sampling of ore for the toll treatment plant from the upper portion of the ore body (see reference to Upper G Shoot below) which is accessible from the already completed decline refurbishment. This bulk sampling will allow R&D work on test samples undertaken last year to be completed at the toll treater to allow for any further optimisation.

The work required to convert the mine dewatering system to a permanent solution has been completed. The two mono pumps installed (which are located approximately 300 metres underground) are being used to continuously pump the remaining mine water to surface via an existing and refurbished rising main. The water is being cleaned through a sand filter before being discharged. This dewatering will enable the final stages of mine refurbishment to be completed ahead of the commencement of production and delivery of ore for toll treating at Leinster into a smeltable grade concentrate.

Following the success of the last underground resource drill out at Mt Windarra, the company has chosen to drill an extension of the Upper G Shoot zone. The extension is both near surface and close to existing infrastructure which should provide early cash flow as it is close to the existing decline and at a level already fully rehabilitated. Drilling is expected to be completed by the end of January 2015. Further information in relation to this drilling programme is provided in the Exploration section of this report. The drilling is confirming that ore production from this area of the mine can occur well before the deeper zones of the ore body, thereby cutting lead times to first ore production.

A Resource and Reserve update for Mt Windarra was completed by Optiro and announced to the market in December 2014. A total resource of 4.4Mt @ 1.64% Ni for 71.5Kt of contained nickel was estimated including a Probable Reserve of 0.5Mt @ 1.78% Ni for 9.0Kt (refer Table 1).

Poseidon has received multiple responses to the underground mine contract tender and is currently evaluating these responses to determine whether additional cost reductions can be realised given the current market conditions and equipment availability. In addition, firm tender responses for ore haulage costs from Mt Windarra to Leinster have also been received and final negotiations with parties are underway. We anticipate completing these negotiations in the next few weeks.

Lake Johnston Project Update

During November 2014 Poseidon completed the acquisition of the Lake Johnston Nickel Project (Lake Johnston) from OJSC MMC Norilsk Nickel (Norilsk). Poseidon is now progressing plans to return Lake Johnston to production within six months of final financing and successful completion of the Definitive Feasibility Study (DFS) which is due by the middle of 2015.

As part of this process, Poseidon has completed an interim feasibility study, the results of which were released to the market in December 2014, confirming the viability of Lake Johnston as being a near-term production project. The study has identified a budget estimate for the plant refurbishment and restart capital of A\$8.3 million and an operating cost of A\$6.70/lb on a payable basis (current nickel price circa A\$8.50/lb). Additional work is currently being completed to update the resource modelling and mine plan schedule which will enable operating costs and the DFS to be finalised.

Golder Associates (Golder) also completed a re-estimate of the Maggie Hays Deposit Mineral Resource estimate to meet JORC 2012 Code requirements which was estimated at 3.8Mt @1.41% Ni for 53.1Kt of contained nickel (refer Table 1). Golder was given the work

as they are familiar with the drill database and completed previous estimate for Norilsk. Poseidon is carrying out further work to convert more of the resource from inferred to indicated status (see Exploration section – Lake Johnston).

In addition to the engineering studies, Poseidon has released a Letter of Interest to several parties for initial offtake terms which have now been received. Lake Johnston has historically produced a high quality smeltable concentrate which has attracted strong interest.

Tender responses for a Tailings Storage Facility (TSF) wall lift have also been received and are being evaluated and will confirm the budget estimate in the interim feasibility study.

Poseidon continues to engage with regulatory and other interested parties to ensure that the project can proceed rapidly. These parties include:

- The Department of Mines and Petroleum (for general licencing issues and transfers);
- The Department of Environment and Conservation (for general environmental compliance including the current tailings dam);
- The Esperance Chamber of Commerce;
- The Esperance & Dundas Shire Councils for project updates and to review potential drive in and drive out operations from the shire to the project; and
- The Esperance Port Authority (to review potential export shipment conditions for nickel concentrate).

The primary focus of the Poseidon geology team is to extend the Reserve and Resource life of Lake Johnston. Poseidon believes that Lake Johnston has considerable untapped geological potential both in and around the Maggie Hays ore body as well as regionally. The first priority of the Team is to identify areas underground at Maggie Hays and around the current open mine development areas which are accessible from the existing decline with the intention of extending the project Reserves. This work is progressing well (refer to the exploration section within this report for further details).

Black Swan Project Update

Completion of the Black Swan Project acquisition requires Poseidon and Norilsk to satisfy certain conditions precedent. The parties have been working through the transfer of a number of covenants attaching to the tenements associated with historical undertakings. These transfers are in the normal course of business for a transaction of this nature. All of the key consents attaching to these covenants have now been received.

Simultaneously Poseidon has continued to work with Norilsk during the completion period to facilitate the handover of this project and continuation of granted mining approvals. The transfer process has not delayed Poseidon in undertaking its technical work and indeed the Company released the results of the feasibility study into restarting the Black Swan Operations in August 2014.

Golder has completed a JORC 2012 resource and reserve estimate for the Black Swan open pit and ROM stockpiles. Golder estimated a total resource of 30.7Mt @ 0.58% Ni for 179.0Kt of contained nickel and a Probable Reserve of 3.4Mt @ 0.63% Ni for 21.5Kt (refer Tables 1 & 3).

The acquisition completion deadline has by mutual agreement been moved to 27th March 2015, although both parties are planning to complete before this time. At completion, Poseidon will make final payment for the purchase and commence incurring site occupancy costs.

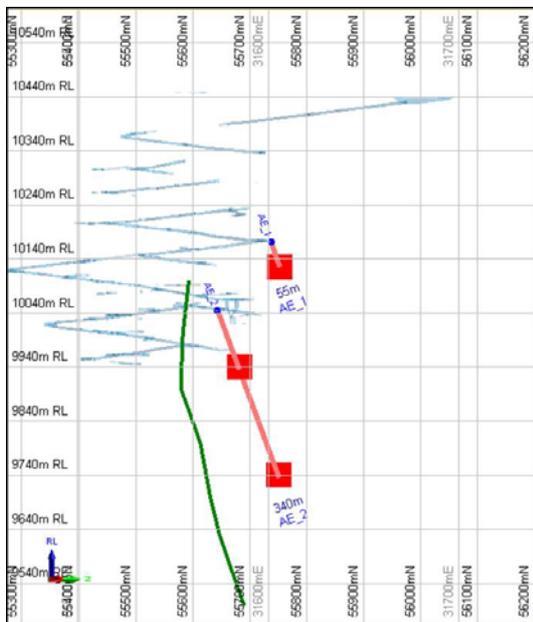
EXPLORATION

Mt Windarra

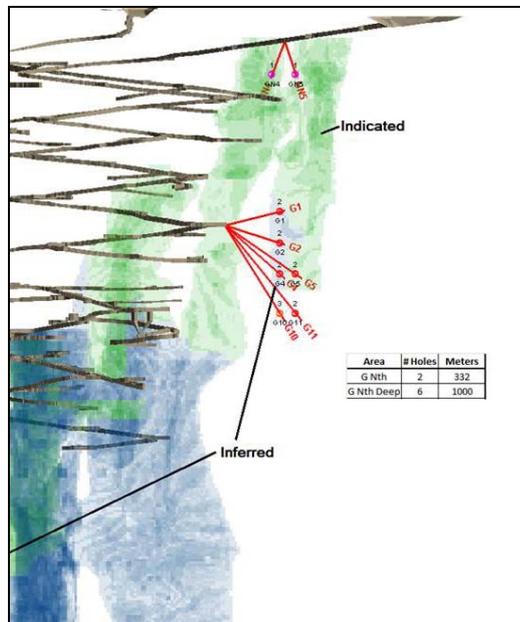
During the quarter, two In-situ Acoustic Emission Stress (AE Stress) holes were completed at Mt Windarra by Gilberts Drilling for a total of 393.8m of HQ3 core. The holes were geotechnically logged by Dempers & Seymour Geotechs. The holes were surveyed using a Televiever camera to produce optical and acoustic imaging to support the geotech logging. Core samples were selected from vertical depths of 100m, 500m & 700m vertically from surface (see cross-section below). Four samples in total were collected and these were submitted to E-Precision Laboratories for AE Stress testing to provide data to finalise the 3D Mining Rock Mass Modelling work. The testing has been completed and the results are currently being reviewed & reported by Dempers & Seymour. This work will feed into the final geotechnical model and mine design.

In addition, three underground NQ2 diamond holes have been completed by Gilberts Drilling for a total of 442.9m into the lower section of Upper G Shoot-North to better define the lower end of the shoot prior to the commencement of mining (see long-section below). Drilling recommenced in early January 2015 and is expected to be completed by the end of January. Assays are pending and will be reported once completed.

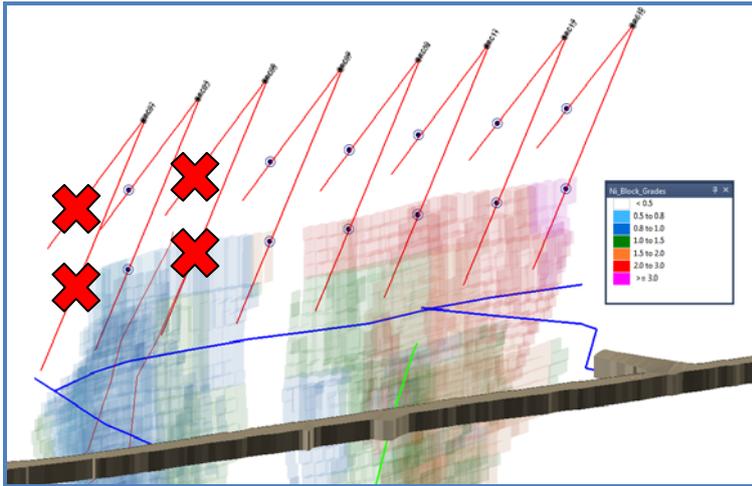
A further twelve RC holes were completed by Westdrill Drilling for a total of 982m. RC holes were drilled above G Shoot to define the upper limit of G Shoot prior to the commencement of mining operations and to determine if the previously intersected oxide mineralisation is extensive and amenable to small scale open cut mining. Assays are pending and will be reported once completed.



Cross-section showing location and depth of AE samples.



Long Section showing location of Upper G Shoot diamond drill holes.



Positions of RC drill holes to test top of G Shoot and oxide potential. Note: not all holes were drilled (12 in total completed).

Lake Johnston

Resource Model Update

A number of resource database issues meant that Poseidon was unable to produce an updated mining model for Lake Johnston in time for the planned DFS publication. As a result, an intensive programme of work was initiated after the acquisition of the project in November and continued through the Christmas period with the aim of producing a new JORC compliant resource model. A review of the drill database identified that a number of drill holes had been completed but that these had not been included in the resource models. In total circa 100 drill holes were identified and have now been included. These drill holes are in the southern area of the Sub Level Cave, the Suture Zone and the North Shoot Extension (see Figure 1).

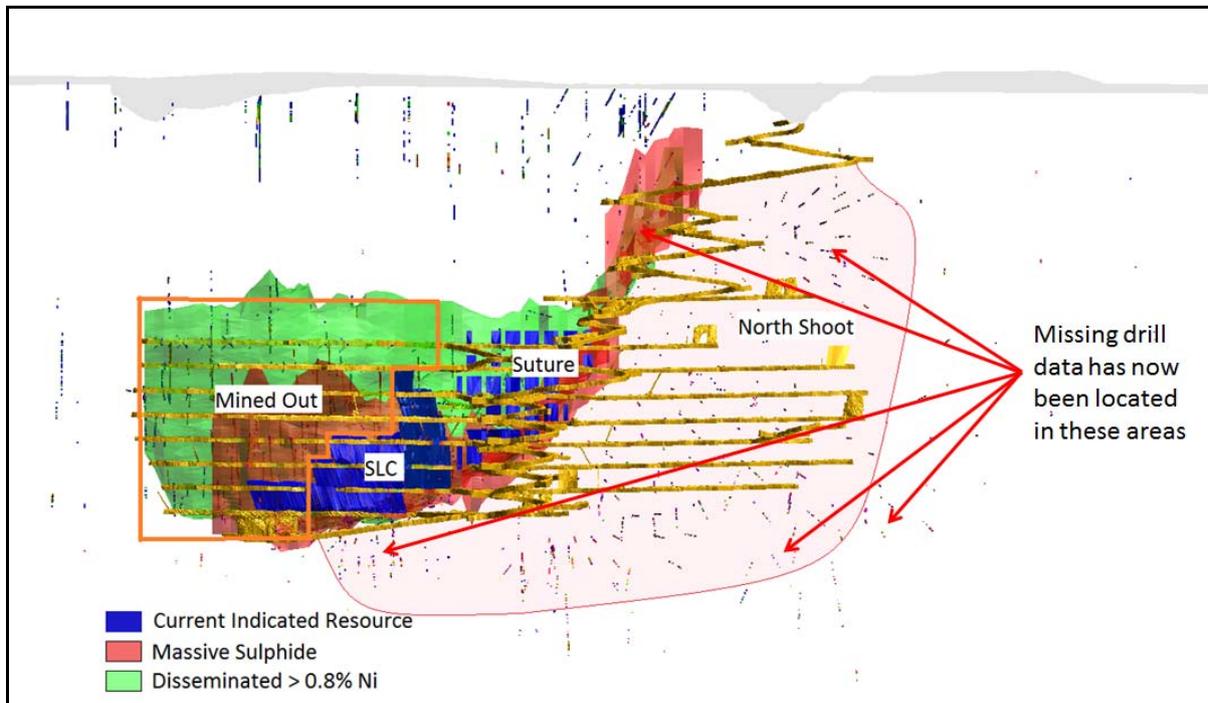


Figure 1: Maggie Hays long section showing location of mineralisation, infrastructure, drilling and areas of additional data which has now been located and merged into the drill hole database.

In Figure 1 it can be seen that the North Shoot was being mined predominantly by pushing 4.5m square ore drives through the mineralised zone. These drives have allowed for the ore body to be sampled every 3 metres along each of the 8 levels providing a very detailed

geological understanding of the North Shoot resource. This very high level of sampling has allowed Poseidon to demonstrate the structural and geological control of the mineralisation which should allow a much larger proportion of the inferred resources in this area to be upgraded to indicated resources.

The inclusion of the face mapping into the geological model has revealed that a number of the holes in the drill hole database have been incorrectly positioned due to survey errors which led to a lower confidence Inferred resource model. These errors have now been corrected which adds further clarity and confidence to the new resource model.

Mine Planning and Scheduling

Poseidon's aim is to produce a new updated mine plan for Lake Johnston within the next 3 months using the revised resource model currently under development. This modelling aided by the knowledge of recent mine activities should allow for an accurate prediction of the current mine life (excluding further drilling activities), throughput levels and costs of production. Poseidon expects shortly to announce a new General Manager for Lake Johnston to lead this activity. Initial mine surveys and geotechnical assessments necessary for the mine planning have already been completed.

Poseidon believes that there are potential opportunities to modify the mining methodologies used at Lake Johnston to improve ore recovery levels, particularly in the Suture Zone and the North Shoot. If proven, this could add several years to the initial project life.

Production of Concentrate

Since acquisition in November 2014, Poseidon has been recommissioning the concentrate processing facilities on site to recover concentrate stored in the process water dam (see Picture 1) and left over from previous operations. These facilities include the Counter Current Decantation (CCD) (see Picture 2), Larox filter (see Picture 3), Citect control system and concentrate storage shed and bagging station (see Picture 4). These units have now been commissioned and will start to recover the stored concentrate into a saleable form. It is not yet possible to predict accurately the total amount of concentrate to be recovered but an update will be provided when available.



**Picture 1: Process Water Dam
& Concentrate Storage Shed**

Picture 2: CCD



Picture 3: Larox Filter



Picture 4: Concentrate Storage Shed & Bagging Station

Offtake Negotiations

Poseidon has issued tenders and received a number of offers for the nickel sulphide concentrate which is to be produced at Lake Johnston. Negotiations for offtake are underway and are likely to be concluded within the next 3 months.

FINANCIAL

As at 31 December 2014, the Company had cash on hand of A\$15.4 million following the repayment of the outstanding debt of A\$8.6 million.

During October 2014, the Company completed a capital raising for A\$30 million through the placement of Fully Paid Ordinary Shares to professional and sophisticated investors. The placement was led by Petra Capital with an issue price of A\$0.18 per share utilising the Company's 15% and remaining 10% placement capacities under the ASX Listing Rule 7.1 and 7.1A respectively. The placement occurred in two tranches with the first tranche funds being received on 15 October totalling A\$15.3 million less costs of A\$765,000 and comprising the placement of 84,999,956 Shares. The second tranche received approval by shareholders at a General Meeting held on 26 November and resulted in a further placement of 71,911,260 shares to raise A\$12.9 million less costs of A\$397,000. The Company is currently taking legal action against several parties that to date have not paid their tranche 2 subscription funds. The shortfall in funds of A\$1.75 million is expected to be recovered.

Part of the proceeds from the capital raising was used to repay in full the A\$8 million loan facility with Minderoo Foundation. A total amount of A\$8.6 million was paid on 29 October which included accrued interest and associated exit fees under the terms of the agreement.

CORPORATE

In line with Poseidon's policy to only pay Directors fees in shares in order to retain the cash reserves of the Company, 302,812 Fully Paid Ordinary Shares were issued in lieu of Directors fees for the quarter to September under the terms of the Director Share Plan. The shares were issued on 15 December 2014 at a deemed issue price of A\$0.1892 based upon the volume weighted average sale price ("VWAP") for the 91 days prior to the expiration of the quarter. In addition, 256,828 shares were issued to Mr Robert Dennis at a price of A\$0.0737 and A\$0.0904 in lieu of Director fees for the March (pro-rated) and June 2014 quarters respectively. The payment of shares as opposed to cash is intended to reduce the cash cost to the Company and was approved by shareholders at the Annual General Meeting held on 26 November 2014.

Under the terms of the Employee Bonus Scheme, 2,230,000 Fully Paid Ordinary Shares were issued to Mr David Singleton on 15 December. The issue of shares was approved by shareholders at the General Meeting held on 26 November 2014. An additional 4,525,000 Fully Paid Shares Ordinary Shares were earlier issued under the same bonus scheme rules, to employees on 12 November 2014. The shares were issued for performance and the delivery of key objectives during 2014 and are placed in a holding lock for a period of up to 3 years as part of the vesting conditions.

On 1 October 2014, the Company issued 2,120,666 Fully Paid Ordinary Shares to Jefferies LLC having elected to settle interest payable on the US\$35 million Convertible Notes for the September quarter in shares.

MARKET INFORMATION

Figure 1 below shows the underlying correlation between Poseidon’s share price and the LME Nickel price over the last 12 months.

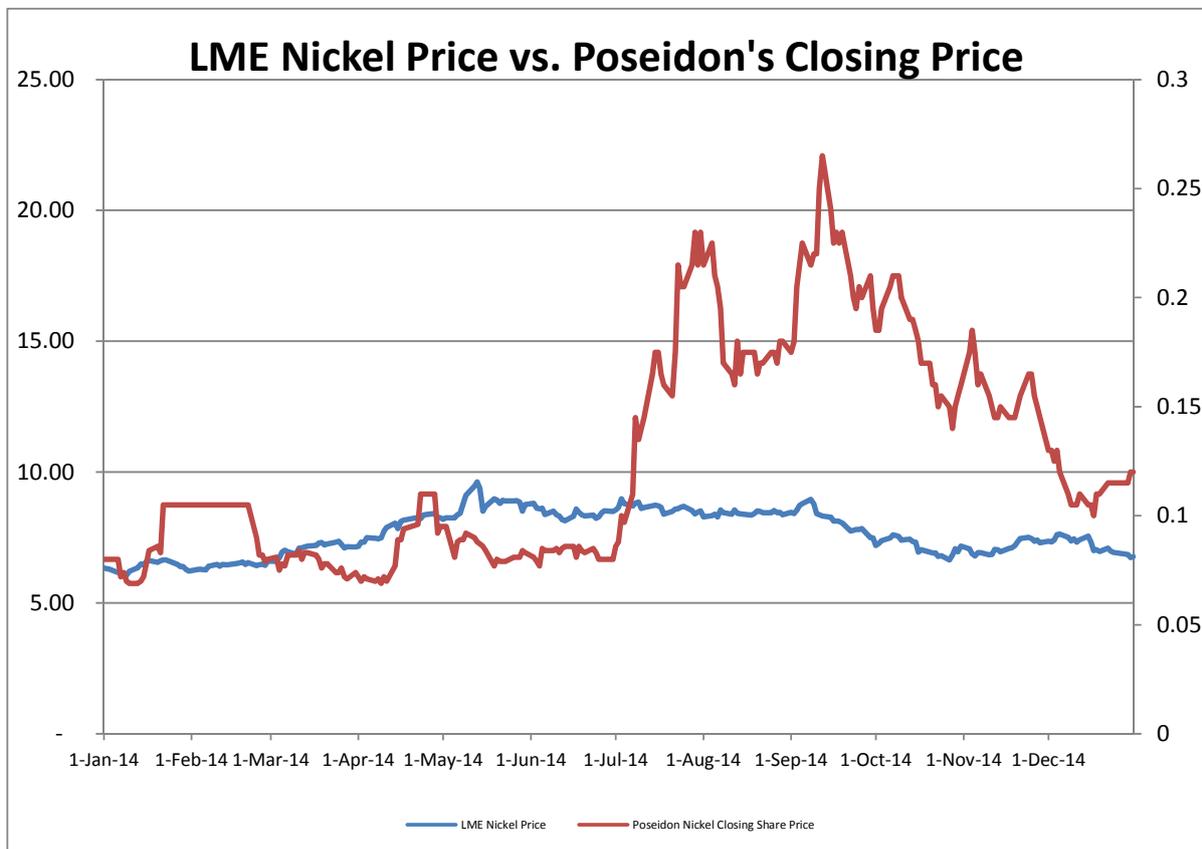


Figure 1: Poseidon share price graph compared to LME Nickel price

David P.A. Singleton
 Managing Director & CEO

31st January 2015

CORPORATE DIRECTORY

Director / Senior Management

David Singleton	Managing Director & Chief Executive Officer
Chris Indermaur	Non-Executive Chairman
Geoff Brayshaw	Non-Executive Director
Robert Dennis	Non-Executive Director
Ross Kestel	Company Secretary

Corporate Enquiries

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Shareholder Enquiries

Enquiries concerning shareholdings should be addressed to:

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Home Exchange

The Company's shares are listed on the Australian Securities Exchange and the home exchange is Perth
ASX code: POS

MINERAL RESOURCE STATEMENT

Table 1: Nickel Projects Mineral Resource Statement

Nickel Sulphide Resources	JORC Compliance	Cut Off Grade	Mineral Resource Category								
			Indicated			Inferred			TOTAL		
			Tonnes (Kt)	Ni% Grade	Ni Metal t	Tonnes (Kt)	Ni% Grade	Ni Metal t	Tonnes (Kt)	Ni% Grade	Ni Metal t
WINDARRA PROJECT											
Mt Windarra	2012	0.90%	922	1.56	14,000	3,436	1.66	57,500	4,358	1.64	71,500
South Windarra	2004	0.80%	772	0.98	8,000	-	-	-	772	0.98	8,000
Cerberus	2004	0.75%	2,773	1.25	35,000	1,778	1.91	34,000	4,551	1.51	69,000
BLACK SWAN PROJECT											
Black Swan	2012	0.40%	9,600	0.68	65,000	21,100	0.54	114,000	30,700	0.58	179,000
LAKE JOHNSTON PROJECT											
Maggie Hays	2012	0.80%	2,000	1.40	27,900	1,800	1.43	25,200	3,800	1.41	53,100
TOTAL											
Total Ni Resources	2004 & 2012		16,067	0.93	149,900	28,114	0.82	230,700	44,181	0.86	380,600

Note: totals may not sum exactly due to rounding

Table 2: Gold Tailings Project Mineral Resource Statement

Gold Tailings Resources	JORC Compliance	Cut Off Grade	Mineral Resource Category								
			Indicated			Inferred			TOTAL		
			Tonnes (Kt)	Grade (g/t)	Au (oz)	Tonnes (Kt)	Grade (g/t)	Au (oz)	Tonnes (Kt)	Grade (g/t)	Au (oz)
WINDARRA GOLD TAILINGS PROJECT											
Gold Tailings	2004	NA	11,000	0.52	183,000	-	-	-	11,000	0.52	183,000
TOTAL											
Total Au Resources	2004		11,000	0.52	183,000	-	-	-	11,000	0.52	183,000

Note: totals may not sum exactly due to rounding.

ORE RESERVE STATEMENT

Table 3: Nickel Project Ore Reserve Statement

Nickel Sulphide Reserves	JORC Compliance	Ore Reserve Category		
		Probable		
		Tonnes (Kt)	Ni% Grade	Ni Metal t
WINDARRA PROJECT				
Mt Windarra	2004	498	1.78	9,000
Cerberus	2004	1,221	1.30	16,000
BLACK SWAN PROJECT				
Black Swan	2012	3,370	0.63	21,500
TOTAL				
Total Ni Reserves	2004 & 2012	5,089	0.91	46,500

Note: totals may not sum exactly due to rounding.

Notes

The information in this report that relates to the Windarra Nickel Project, Mineral Resources is based on information compiled by Neil Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists and Ian Glacken who is a full time employee of Optiro Pty Ltd and is a Fellow of the Australasian Institute of Mining and Metallurgy.

The information in this report that relates to Ore Reserves at the Windarra Nickel Project is based on information compiled by Denis Grubic, who is a Member of The Australasian Institute of Mining and Metallurgy as well as a full time employee of Rock Team Pty Ltd.

The information in this report which relates to the Black Swan Mineral Resource and Ore Reserves is based on information compiled by Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd and Francois Bazin of IMC Mining Pty Ltd who are both Members of the Australasian Institute of Mining and Metallurgy.

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

This document contains Mineral Resources and Ore Reserves which are reported under JORC 2004 Guidelines as there has been no Material Change or Re-estimation of the Mineral Resource or Ore Reserves since the introduction of the JORC 2012 Codes. Future estimations will be completed to JORC 2012 Guidelines.

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

TENEMENTS

Mining Tenements Held as at 31 December 2014

Areas of Interest	Tenements	Economic Entity's Interest
Western Australia		
- Windarra Nickel Assets	MSA 38/261, G38/21, L38/121, L39/184, L38/199, L38/218, L39/221	100%
- Windarra South	L38/119, L38/122, L38/220	100%
- Woodline Well	M39/1075, L39/224	100%
- Pool Well	M38/1243, M38/1244, M38/1245, L38/118	100%
- Brown Well	P38/3989, P38/3990, P38/3991	100%
- Lake Johnston Nickel Assets	E63/0585, E63/0625, E63/0837, E63/1067, E63/1135, E63/1138, E63/1140, G63/0004, G63/0005, L63/0051, L63/0052, L63/0055, L63/0057, M63/0163, M63/0282, M63/0283, M63/0284, M63/0292, M63/0293, M63/0294, M63/0302, M63/0522, M63/0523, M63/0524, P63/1527	In Application

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

Mining Tenements Acquired and Disposed during the December 2014 Quarter

E63/0585, E63/0625, E63/0837, E63/1067, E63/1135, E63/1138, E63/1140, G63/0004, G63/0005, L63/0051, L63/0052, L63/0055, L63/0057, M63/0163, M63/0282, M63/0283, M63/0284, M63/0292, M63/0293, M63/0294, M63/0302, M63/0522, M63/0523, M63/0524, P63/1527

Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements during the December 2014 Quarter

Nil

Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements Acquired or Disposed of during the December 2014 Quarter

Nil

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 010/7/96. Origin: Appendix 8. Amended 010/7/97, 01/07/98, 30/09/2001, 01/06/2010, 17/12/10, 01/05/2013.

Name of entity

Poseidon Nickel Limited

ABN

60 060 525 206

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,463)	(2,463)
(b) development	-	-
(c) production	-	-
(d) administration	(2,082)	(2,942)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	56	82
1.5 Interest and other costs of finance paid	(648)	(1,071)
1.6 Income taxes paid	-	-
1.7 Other - sundry income	45	78
Net Operating Cash Flows	(4,092)	(6,316)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(523)	(523)
(b) equity investments	-	-
(c) other fixed assets	(860)	(945)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – deposit paid for Black Swan Nickel Project	-	(150)
Net investing cash flows	(1,383)	(1,618)
1.13 Total operating and investing cash flows (carried forward)	(5,475)	(7,934)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,475)	(7,934)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	28,244	28,244
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(8,120)	(8,120)
1.18	Dividends paid	-	-
1.19	Other – share issue costs	(1,193)	(1,193)
	Net financing cash flows	18,931	18,931
	Net increase (decrease) in cash held	13,456	10,997
1.20	Cash at beginning of quarter/year to date	1,904	4,363
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	15,360	15,360

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	146
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Administration costs shown in 1.2(d) are higher for the current quarter due to a number of one-off costs and costs associated with the acquisition of the Lake Johnston Nickel Project. The purchase consideration of \$1 million is included in 1.8(a) and (c).

On 16 December 2014, 256,828 ordinary shares were issued at a price of 0.0737 and \$0.0904 as approved by the Shareholders at the November 2014 Annual General Meeting. The shares were issued to Mr Rob Dennis in lieu of Directors Fees for the March (pro rated) and June 2014 quarter.

On 16 December 2014, 302,812 ordinary shares were also issued at a price of \$0.189195 as approved by the Shareholders at the November 2014 Annual General Meeting. The shares were issued to the Non-Executive Directors in lieu of Directors Fees for the September 2014 quarter.

These have not been included in the above share issue costs.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

+ See chapter 19 for defined terms.

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	35,103	35,103
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,500
4.2 Development	-
4.3 Production	-
4.4 Administration	1,500
Total	4,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	5,352	1,896
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other – Term Deposits	10,008	8
Total: cash at end of quarter (item 1.22)	15,360	1,904

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	N/A			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

6.2 Interests in mining tenements and petroleum tenements acquired or increased

<p>Lake Johnston Acquisition: E63/0585, E63/0625, E63/0837, E63/1067, E63/1135, E63/1138, E63/1140, G63/0004, G63/0005, L63/0051, L63/0052, L63/0055, L63/0057, M63/0163, M63/0282, M63/0283, M63/0284, M63/0292, M63/0293, M63/0294, M63/0302, M63/0522, M63/0523, M63/0524, P63/1527</p>	In Application	0%	100%
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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	680,250,810	680,250,810		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	166,346,522	166,346,522		
7.5 +Convertible debt securities <i>Unsecured</i>	36,531,904 This is an estimate only based on an average exchange rate of 1.0265.	-	\$0.40	The Notes have a March 2011 six year term convertible into fully paid ordinary shares.
	64,945,608 This is an estimate only based on an average exchange rate of 1.0265.	-	\$0.30	The Notes have a March 2011 six year term convertible into fully paid ordinary shares.
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

7.7	Options			<i>Exercise price</i>	<i>Expiry date</i>
	<i>Unlisted</i>	2,975,000	-	\$0.22	31 August 2016
	<i>Unlisted</i>	4,250,000	-	\$0.22	23 November 2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Director)

Date: 31 January 2015

Print name: Geoff Brayshaw

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.