

25 September 2008

Company Announcements Officer  
ASX Limited  
Exchange Centre  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**Re: POSEIDON NICKEL LIMITED ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008**

We enclose herewith a copy of an announcement in relation to the above.

Yours faithfully



**David P.A. Singleton**  
MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER

Enc

#### **CORPORATE DIRECTORY**

##### **Director / Senior Management**

David Singleton	Managing Director & Chief Executive Officer
Andrew Forrest	Non-Executive Chairman
Geoff Brayshaw	Non-Executive Director
Richard Monti	Non-Executive Director
Chris Indermaur	Non-Executive Director
Ross Kestel	Company Secretary

##### **Corporate Enquiries**

Mr David Singleton – MD & CEO  
P: 61 8 9382 8799  
F: 61 8 9382 4760

E: [admin@poseidon-nickel.com.au](mailto:admin@poseidon-nickel.com.au)

##### **Shareholder Enquiries**

Enquiries concerning shareholdings should be addressed to:

Computershare Investor Securities  
GPO Box D182, Perth WA 6840  
P: 61 8 9323 2000

##### **Principal Office**

Unit 8, Churchill Court  
331-335 Hay Street  
SUBIACO WA 6008  
P: 61 8 9382 8799  
F: 61 8 9382 4760

##### **Registered Office**

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100 Railway Road  
SUBIACO WA 6008  
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##### **Media Enquiries**

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Porter Novelli  
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##### **Home Exchange**

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



# **POSEIDON NICKEL LIMITED**

ABN 60 060 525 206

## **Annual Financial Report For the year ended 30 June 2008**

# Poseidon Nickel Limited

## Contents

	<b>Page</b>
• Corporate directory	2
• Directors' report (including corporate governance statement and remuneration report)	3
• Income statements	31
• Statements of changes in equity	32
• Balance sheets	33
• Statements of cash flows	34
• Notes to the financial statements	35
• Directors' declaration	76
• Auditor's report	77
• Lead auditor's independence declaration	79
• ASX additional information	80

# Poseidon Nickel Limited

## Corporate directory

ABN: 60 060 525 206  
Incorporated in Australia

### **Directors**

Mr A Forrest  
Mr C Indermaur  
Mr R Monti  
Mr D Singleton  
Mr G Brayshaw

### **Company Secretary**

Mr R Kestel

### **Registered Office**

Level 2, 100 Railway Road  
Subiaco WA 6008

### **Principal Office**

Unit 8, Churchill Court  
331-335 Hay Street  
Subiaco WA 6008  
Website: [www.poseidon-nickel.com.au](http://www.poseidon-nickel.com.au)  
Email: [admin@poseidon-nickel.com.au](mailto:admin@poseidon-nickel.com.au)  
Telephone: +61 8 9382 8799  
Facsimile: +61 8 9382 4760

### **Postal Address**

PO Box 190  
West Perth WA 6872

### **Auditors to the Company**

KPMG  
Chartered Accountants  
152-158 St George's Terrace  
Perth WA 6000

### **Share Registry**

Computershare Investor Services Pty Ltd.  
Level 2, Reserve Bank Building  
45 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 2008**

The directors present their report together with the financial report of Poseidon Nickel Limited ('the Company') and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2008 and the auditor's report thereon.

<b>Contents of directors' report</b>	<b>Page</b>
<b>1. Directors</b>	4
<b>2. Company secretary</b>	6
<b>3. Directors' meetings</b>	6
<b>4. Principal activities</b>	6
<b>5. Consolidated results</b>	6
<b>6. Review of operations</b>	6
<b>7. Corporate governance statement</b>	12
7.1 Corporate governance disclosures	12
7.2 Structure of the board	12
7.3 Remuneration and nominations committee	13
7.4 Remuneration report	14
7.4.1 Principles of compensation – audited	14
7.4.2 Directors' and executive officers' remuneration – audited	17
7.4.3 Equity instruments	18
Options and rights over equity instruments granted as compensation – audited	19
Modification of terms of equity-settled share-based payment transactions – audited	21
Exercise of options granted as compensation – audited	22
Analysis of options and rights over equity instruments granted as compensation – audited	22
Analysis of movement in options – audited	24
7.5 Audit and risk management committee	25
7.6 Best practice recommendation	25
<b>8. Dividends</b>	28
<b>9. Events subsequent to reporting date</b>	28
<b>10. Directors' interests</b>	28
<b>11. Share options</b>	28
<b>12. Indemnification and insurance of officers and auditors</b>	29
<b>13. Non-audit services</b>	30
<b>14. Lead auditor's independence declaration</b>	30
<b>15. Rounding off</b>	30

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

1. Directors

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

<i>Name, and independence status</i>	<i>Age</i>	<i>Experience, qualifications, special responsibilities and other directorships</i>
<p><b>Mr Andrew Forrest</b>  <b>Chairman &amp; Non-Executive Director</b>            Appointed 2 July 2007</p>	46	<p>Mr Forrest was elected as Non Executive Chairman of Poseidon Nickel Ltd at its General Meeting of Shareholders on 2 July 2007. He has been Chief Executive Officer of the Fortescue Metals Group Ltd ("FMG") since July 2003 and was Interim Chairman from then until May 2005. Mr Forrest is Chairman of the Australian Children's Trust. His previous roles include Chief Executive Officer and Deputy Chairman of Anaconda Nickel Limited (now Minara Resources Ltd), Chairman of the Murrin Murrin Joint Venture, Non Executive Chairman of Moly Mines Ltd, Non Executive Chairman of Arafura Pearls Ltd, Non-Executive Director of Sibera Mining Corporation Limited (now Monarch Gold Ltd), Director of the West Australian Chamber of Minerals and Energy and Chairman of Athletics Australia.</p> <p>Mr Forrest has extensive experience in the mining sector with specialist expertise in major project finance and is a long-standing fellow of the Australian Institute of Mining and Metallurgy.</p>
<p><b>Mr Christopher Indermaur</b>  <b>Non-Executive Director</b>  <i>Member of:</i>            Audit &amp; Risk Management Committee  <i>Chairman of:</i>            Remuneration &amp; Nominations Committee            Corporate Governance Committee</p> <p>Appointed 2 July 2007            Resigned effective from 30 September 2008</p>	50	<p>Mr Indermaur has over 25 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) and is a Fellow of the Institution of Engineers. Chris 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.</p>
<p><b>Mr Richard Monti</b>  <b>Non-Executive Director</b>  <i>Member of:</i>            Audit &amp; Risk Management Committee            Remuneration &amp; Nominations Committee            Corporate Governance Committee</p> <p>Appointed 4 April 2007</p>	44	<p>Mr Monti has qualifications in Geology (Bachelor of Science with Honours from the University of Western Australia) and Finance (Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia).</p> <p>He has gained broad experience over a twenty year career working in the technical, marketing and financial fields of the international exploration and mining industry. This experience includes exposure to a number of commodities including nickel, base metals, gold, coal, iron-ore, tin-tantalum, platinum group metals and industrial and heavy minerals.</p> <p>Mr Monti led the team that built a 1.8 billion tonne resource base of nickel and cobalt through efficient and innovated resource definition and low-cost acquisition programmes. He also generated the iron ore project for FMG in the Pilbara region which has developed into a 2 billion tonne iron ore resource.</p>

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

1. Directors (continued)

<i>Name, and independence status</i>	<i>Age</i>	<i>Experience, qualifications, special responsibilities and other directorships</i>
<b>Mr Richard Monti (continued)</b>	44	<p>He has worked for a number of international and Australian companies including Anaconda Nickel, RTZ Exploration, the North Group, the Normandy Group and Ashton Gold. During a seven year term at Anaconda Nickel he held General Manager positions in technical, commercial and marketing fields.</p> <p>Three years ago he founded Ventnor Capital Pty Ltd a consultancy which provides technical, marketing, corporate advisory and investment banking services to junior and mid-cap listed resource companies.</p> <p>Mr Monti is also a Director of Transit Holdings Ltd, Whinnen Resources Ltd and Bathurst Resources Ltd and has previously held positions on the boards of a number of Australian Stock Exchange listed and private mining companies including Peninsula Minerals Ltd and Grand Gulf Energy Ltd.</p>
<p><b>Mr David Singleton</b>  <b>Managing Director &amp; Chief Executive Officer</b></p> <p><i>Member of:</i>            Corporate Governance Committee</p> <p>Appointed 1 February 2008</p>	48	<p>Mr Singleton has a wide range of operational and management experience including as Managing Director and CEO at Clough Limited and CEO of Alenia Marconi Systems based in Rome, Italy. He was also the Group Head of Strategy, Mergers &amp; Acquisitions with BAE SYSTEMS in London, which through consolidation became one of the largest Aerospace and Defence Companies in the world.</p> <p>He has a degree in Mechanical Engineering from University College, London and was formerly a director of PT Petrosea Tbk.</p> <p>Mr Singleton was appointed as Chief Executive Officer on 2 July 2007.</p>
<p><b>Mr Geoff Brayshaw</b>  <b>Non-Executive Director</b></p> <p><i>Member of:</i>            Remuneration &amp; Nominations Committee            Corporate Governance Committee</p> <p><i>Chairman of:</i>            Audit &amp; Risk Management Committee</p> <p>Appointed 1 February 2008</p>	58	<p>Mr Brayshaw was formerly an audit partner with the Perth firm of BDO Kendalls, having been in practice for some 35 years. He has also held a number of positions in commerce and professional bodies including national president of the Institute of Chartered Accountants of Australia in 2002.</p> <p>He is a director of a number of public and private companies, including independent director and audit committee chairman of both Fortescue Metals Group Limited and Fortron Insurance Group Limited. He also sits on the board of the Small Business Development Corporation.</p>
<p><b>Mr Douglas Daws</b>  <b>Executive Director</b></p> <p>Resigned 2 July 2007</p>	65	
<p><b>Mr Christopher Daws</b>  <b>Executive Director</b></p> <p>Resigned 2 July 2007</p>	35	

# Poseidon Nickel Limited

## Directors' report (continued)

For the year ended 30 June 2008

### 2. Company Secretary

Mr R Kestel was appointed to the position of company secretary on 20 February 2004. He is both a Chartered Accountant and Certified Practising Accountant and has been a director of the accounting practice Nissen Kestel Harford since July 1980.

Mr Kestel has acted as a director and company secretary of a number of public companies involved in mineral exploration, mining, mine services, property development, manufacturing and technology industries.

Mr Kestel is a Registered Company Auditor and a member of the Institute of Company Directors.

### 3. 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 and Nomination Committee Meetings		Corporate Governance Committee Meetings	
	A	B	A	B	A	B	A	B
Mr A Forrest	6	7	-	-	-	-	-	-
Mr C Indermaur	7	7	5	5	5	5	5	5
Mr R Monti	7	7	5	5	5	5	5	5
Mr D Singleton	2	2	-	-	-	-	2	2
Mr G Brayshaw	2	2	2	2	2	2	2	2
Mr D Daws	1	1	-	-	-	-	-	-
Mr C Daws	1	1	-	-	-	-	-	-

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

### 4. 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.

### 5. Consolidated Results

The consolidated loss for the consolidated entity for the year ended 30 June 2008, after income tax is (\$256,095,000) (2007: \$7,546,000).

### 6. Review of Operations

#### Windarra Nickel Project

##### Overview

It has been an exciting year for the Company having achieved several key milestones enabling Poseidon to put in place the foundations for redeveloping the Windarra Nickel Project ("WNP") and taking the first steps in delivering the Company's strategy to become a 20,000 tonne per annum nickel metal producer.

In June, a US\$50 million funding package was secured with Harbinger Capital Partners ("Harbinger") from the issue of Convertible Notes. The placement will be made in two tranches with the initial US\$15 million being issued immediately and the second tranche of US\$35 million subject to shareholders approving the issue at the Company's next general meeting. In addition, both parties are required to agree the specific timing of the issue however, at this date the timing has not yet been agreed between the Company and Harbinger. The raising reflects the confidence of Poseidon & Harbinger in taking the project to the next stage. The three primary objectives of the raising are as follows:

- To complete the prefeasibility study and options towards meeting the objective of producing 20,000 tonnes per annum of nickel;
- Progressing the regional exploration work on the Company's tenements including its recent high grade intersections at Denny Bore;
- Complete the underground mine rehabilitation to enable further underground drilling to support extending the Indicated resource and to prepare for mining operations.



Poseidon Nickel Limited  
Directors' report (continued)  
For the year ended 30 June 2008

**6. Review of Operations (continued)**

**Overview (continued)**

Other significant achievements that are enabling the advancement of the WNP are:

The Company announced that it had successfully completed the pre-feasibility study to support the "Fast Start" concept. The study, undertaken by GR Engineering Services for a 350,000 tonne per annum concentrator, identified an overall installed capital cost for the Ball Mill and Flotation Circuit of around \$35 million to a project accuracy of plus or minus 35%. This excluded the cost of crushing and screening circuits, process water supply systems, tailings storage capacity, general infrastructure or mine refurbishment costs. The plant has been designed to be fully upgradeable to 1 million tonnes per annum with the minimum amount of process interruption.

The Company's Windarra tenements are operated under the Poseidon Nickel Agreement Act 1971 ("State Agreement"). The State Agreement required the Company to submit its development plans to the Government. In March 2008, the Company submitted its plans, as outlined above and was granted an extension to 29 September 2008 to provide additional information. The Company is in the process of applying for a further extension based on its developing project structure at Windarra.

An extensive drilling programme has been undertaken throughout the financial year that has enabled the announcement of the first JORC compliant Indicated and Inferred resource of 60,370 tonnes of contained nickel with an average resource grade of 1.45% and evidence of Nickel grade improvement intensity at depth. The grade correlates with the average achieved over 20 years of production at Windarra and the total tonnage identified in the Deeps zone closely matches that reported by Western Mining in its closure report.

There has also been significant regional exploration activity through a combination of Diamond, RAB and RC drilling programmes being undertaken throughout the year. This continued focus has led to a number of successes with high grade nickel intersections at Denny Bore and positive results from Woodline Well, Weebo Well and Zed Zone. Further information and the results of the drilling completed is (non JORC) provided in the exploration section of this review of operations.

The Company entered into Heads of Agreement for two Joint Ventures, the first with Proto Resources for the Menzies Nickel Project and the second with Eagle Eye Metals Ltd for the Waite Kauri Nickel/Cobalt Project. The key objective is to define and develop a mineable nickel resource and complete a bankable feasibility study. Poseidon will, through an off-take agreement, have the nickel and cobalt rights to all of the ore mined from the tenements.

**Underground operations**

Dewatering of the underground mine commenced in February 2008 at an initial pumping rate of 4,000 kilolitres (kl) per day, in an operation that is expected to take around 12 months to complete and will remove an estimated 1.5 million tonnes of water. The removal of the water will allow access to the nickel ore bodies and for underground resource drilling of the deeper ores. The mine dewatering programme was made possible after an exhaustive process of permit approval covering environmental control and necessary works approval. The Company carries out environmental monitoring including equipment integrity, water quality and regular inspection at the water outflow point. The Company will shortly upgrade the pumping system with pumps able to lift water from 300 meters underground at a rate of nearly 6,500 kl per day.

Refurbishment of the first 650 metres of the 550 decline from the portal has been completed successfully and safely. The process involves a cycle of an initial safety and geotechnical inspection of a section of the decline followed by the clean up of the road way, removal of old piping and the installation of new ground support. Ground support is being installed in accordance with DoCEP guidelines and a geotechnical consultant is providing assistance with inspection, planning and training.

To date the 550 decline, that was originally mined in 1982, has exhibited only minor deterioration and recently access has been gained to a section the old 544 decline developed in the 1970's which also appears to be in good condition. As expected, observations from these areas has also confirmed that the rock lying in the geological hanging wall between Charlie Shear and D stope has caved into the stoping area as a result of ore extraction at depth.

Poseidon Nickel Limited  
Directors' report (continued)  
For the year ended 30 June 2008

6. Review of Operations (continued)  
Underground operations (continued)

The refurbishment work is being carried out with a development jumbo supported by a load haul dump unit grader and integrated tool carrier. Ground support consists of galvanised split set rock bolts and mesh which will be supplemented where necessary with cable bolts and some concrete grouting. Subject to any delays caused by poor ground conditions at depth, the current target is to gain access to the bottom levels of the mine in six to seven months which will allow access for diamond drilling of Windarra deeps.

Exploration

In the past 12 months the Exploration Group at Poseidon has achieved a number of significant milestones at the WNP.

The Company has completed 385 drill holes in the financial year for a total of ~35,000m of diamond core and AC/RC drilling. However, since purchasing the Windarra project from WMC, the Company has now completed 410 drill holes for a total of over 44,000m of drilling. Most of the historic drilling data dating back from 1969 has been manually entered into the Company's database, which now contains over 1900 drill holes, 231,000m of drilling, and 150,500 assay samples. This data has been validated and in January 2008, for the first time since the discovery of nickel at Mt Windarra, Poseidon's resource geologist was able to create a JORC compliant resource statement for the WNP as detailed below:

Sulphide Deposits	Tonnes	Ni% Grade	Ni Metal t	Resource Category
Mt Windarra CDG Deeps	2,816,895	1.57	44,310	Inferred
Mt Windarra A Shoot	166,625	1.74	2,899	Inferred
Mt Windarra B Shoot	68,810	1.36	936	Inferred
Mt Windarra A HW Extended	112,393	1.15	1,296	Inferred
Mt Windarra Upper G Shoot	552,441	1.03	5,701	Indicated
Mt Windarra A HW Shoot	339,500	0.99	3,361	Indicated
Mt Windarra F Shoot	111,186	1.68	1,868	Indicated
<b>Total Indicated</b>	<b>1,003,127</b>	<b>1.09</b>	<b>10,930</b>	<b>Indicated</b>
<b>Total Inferred</b>	<b>3,164,723</b>	<b>1.56</b>	<b>49,441</b>	<b>Inferred</b>
<b>Total All Categories</b>	<b>4,167,850</b>	<b>1.45</b>	<b>60,370</b>	

The following parameters were used in the Indicated and Inferred Resource calculations:

*Inferred Resource: cut-off grade of 1.0% Ni using IDW<sup>2</sup> block modelling.*

*Indicated Resource: cut-off grade of 0.75% Ni using IDW<sup>2</sup> block modelling.*

Oxide Deposits	Tonnes	Ni% Grade	Ni Metal t	Resource Category
Woodline Well Oxide	266,382	1.38	3,676	Inferred
South Windarra Oxide Dump 1	149,872	0.83	1,244	Indicated
South Windarra Oxide Dump 2	161,440	0.74	1,195	Indicated
<b>Total Indicated</b>	<b>311,312</b>	<b>0.78</b>	<b>2,439</b>	<b>Indicated</b>
<b>Total Inferred</b>	<b>266,382</b>	<b>1.38</b>	<b>3,676</b>	<b>Inferred</b>
<b>Total All Categories</b>	<b>577,694</b>	<b>1.06</b>	<b>6,115</b>	

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

## 6. Review of Operations (continued)

### Exploration (continued)

This resource statement does not include all of the known mineralisation at Mount Windarra or any of the mineralisation at South Windarra and is therefore subject to potential further updates in the future.

Through 2007 and into early 2008 most of the Company's drilling was primarily focused on defining the Mt Windarra resources and bringing them into JORC compliant categories using two diamond drill rigs, and utilising an RC rig on a campaign basis. Regional exploration was intermittent during this period, with most of the focus being largely limited to Denny Bore, with localised RC drilling campaigns being completed on the known oxide resources at South Windarra and Woodline Well.

Since the completion of the Windarra resource work, the focus has switched with more emphasis on Denny Bore where recent drilling has confirmed the presence of an extensive zone of nickel sulphide mineralisation that may lead to the definition of a resource. The drilling continues to track the nickel zones 280 metres vertically closer to the surface than the original discovery hole which intersected nickel mineralisation at a vertical depth of 720m.

Typically, the intersections at Denny Bore have been high grade and sub-1m in thickness (Figure 1). Characteristically the nickel mineralisation in each hole features a zone of lower grade disseminated nickel sulphide at the top of the mineralised zone, followed by the higher grade massive nickel sulphide at the base of the komatiite channel within the Windarra Ultramafic unit. Importantly when the intercepts are interpreted into typical mining widths of around 2m in thickness, the grades typically average between 2.2-3.5% Ni (Table 1 & Figure 2), which is consistent with Kambalda style nickel mineralisation.

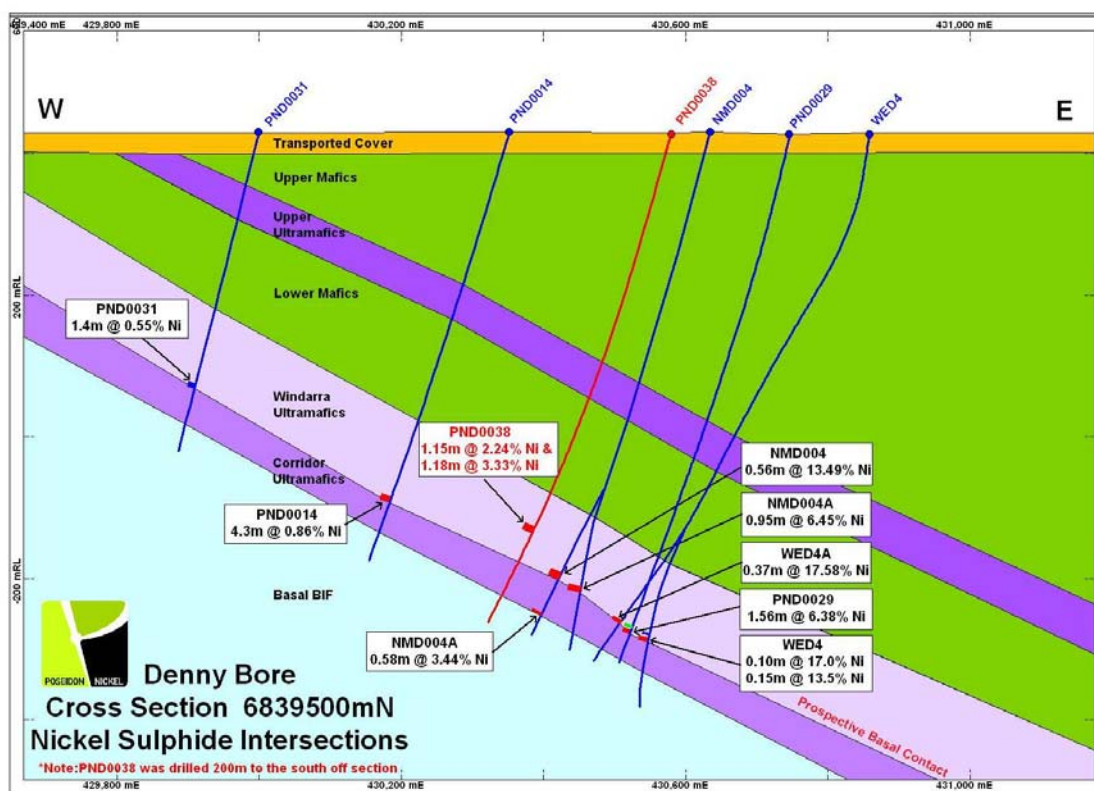


Figure 1: Cross Section showing the geological sequence that hosts the nickeliferous lava channel and the high grade nickel intersection.

Poseidon Nickel Limited  
Directors' report (continued)  
For the year ended 30 June 2008

6. Review of Operations (continued)  
Exploration (continued)

Recent drilling has begun to define the shape and orientation of the lava channel system which hosts the nickeliferous mineralisation (Figure 2). To date this has defined nickel mineralisation within this komatiite-hosted lava channel over a strike length of some 480m. The mineralised channel is at least 150m wide, and is open in 3 directions. Nickel grades and widths are greatest towards the centre of the channel, and typically become thinner and lower grade towards the edges of the channel. This is typical of Kambalda-style komatiite-hosted nickel ore bodies which helps the Poseidon geologists interpret and target the prospective mineralised channel.

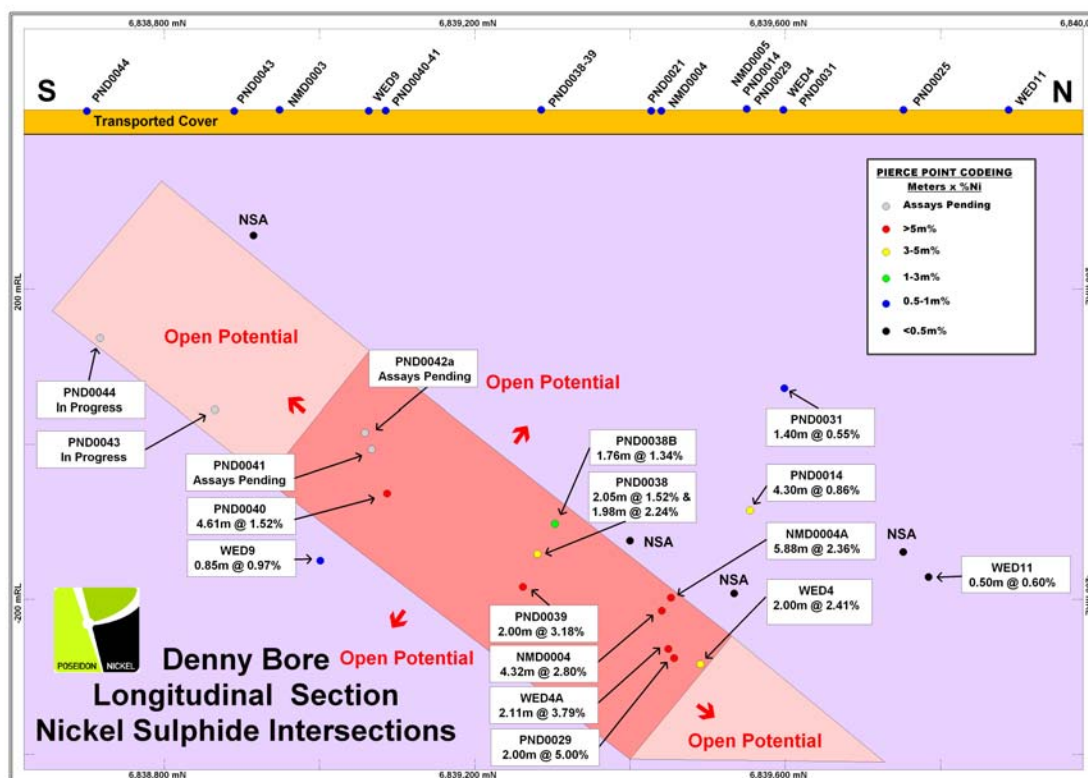


Figure 2: Long Section showing the interpretation of the nickeliferous lava channel and the drill hole pierce points with typical bulked out mining width nickel intersection calculations.

The mineralisation at Denny Bore is blind at the surface and is covered by transported material. The original Denny Bore discovery hole (WED4) intersected the mineralisation at a down hole depth of 796m. In contrast to typical exploration discoveries, the Company is actively defining the mineralised zone from the bottom up. Importantly there is geological evidence to support the view that the lava channel will run to the surface. Once the orientation and surface projection of this channel has been confidently defined, the Company will prepare a drilling program to test for near surface mineralisation associated with this nickeliferous lava channel.

Down-Hole Electromagnetic (DHEM) surveys are also returning positive results from the drill holes, showing that there is both in-hole and off-hole conductive sulphides anomalies nearby, which supports the mineralised lava channel model.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

6. Review of Operations (continued)

Exploration (continued)

The nickel mineralisation at Denny Bore is developing into an exciting discovery for the Company. The priority for the Company is to progress activities and define an Inferred Resource in the near future. Denny Bore is located approximately 12km south of the Mt Windarra nickel mine at Poseidon's flagship Windarra Nickel Project.

HOLE ID	ZONE	FROM	TO	WIDTH	Ni %	COMMENT
NMD004		666.48	667.04	0.56	13.49	
	&	669.73	670.80	1.07	2.48	
		<b>666.48</b>	<b>670.80</b>	<b>4.32</b>	<b>2.80</b>	<b>Bulked Out Grade</b>
NMD004A		659.57	659.85	0.28	13.46	
	&	664.50	665.45	0.95	7.55	
		<b>659.57</b>	<b>665.45</b>	<b>5.88</b>	<b>2.36</b>	<b>Bulked Out Grade</b>
WED4		796.30	797.25	0.95	4.81	
	<i>incl</i>	796.30	796.40	0.10	17.00	
	<i>incl</i>	797.10	797.25	0.15	13.50	
		<b>796.00</b>	<b>798.00</b>	<b>2.00</b>	<b>2.41</b>	<b>Bulked Out Grade</b>
WED4A		794.80	795.17	0.37	17.58	
		<b>793.82</b>	<b>795.93</b>	<b>2.11</b>	<b>3.79</b>	<b>Bulked Out Grade</b>
WED9		627.30	628.15	0.85	0.97	
PND0029		743.44	745.00	1.56	6.24	
	<i>incl</i>	743.44	744.05	0.61	13.40	
		<b>743.00</b>	<b>745.00</b>	<b>2.00</b>	<b>5.00</b>	<b>Bulked Out Grade</b>
PND0038	<i>Upper</i>	588.60	589.75	1.15	2.24	
	<i>Lower</i>	595.80	596.98	1.18	3.33	
	<i>incl</i>	596.66	596.98	0.32	7.36	
	<i>Upper</i>	<b>587.70</b>	<b>589.75</b>	<b>2.05</b>	<b>1.52</b>	<b>Bulked Out Grade</b>
	<i>Lower</i>	<b>595.00</b>	<b>596.98</b>	<b>1.98</b>	<b>2.24</b>	<b>Bulked Out Grade</b>
PND0038B	<i>Upper</i>	582.64	583.00	0.36	0.97	
	<i>Lower</i>	592.74	593.42	0.68	3.13	
	<i>Lower</i>	<b>592.74</b>	<b>594.50</b>	<b>1.76</b>	<b>1.34</b>	<b>Bulked Out Grade</b>
PND0039		613.11	613.85	0.74	6.82	
		<b>612.15</b>	<b>614.15</b>	<b>2.00</b>	<b>3.18</b>	<b>Bulked Out Grade</b>
PND0040		506.85	511.46	4.61	1.52	<b>Actual Grade</b>

Table 1: Drill hole intersections with actual intersections and typical bulked out mining width intersection calculations.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

**6. Review of Operations (continued)**

**Exploration (continued)**

In addition to the drilling programmes, the exploration team have commenced the collation and re-sampling of some 13,000 old WMC surface auger drill holes for geochemical mapping purposes. The data to date is returning positive results with distinguishable lava channel features beginning to materialise from the data. This gives added support to our geologists mineralised lava channel model, and in time will become the focus of the ongoing drilling programmes. This data along with Poseidon Nickels geologists' understanding of nickel forming systems will assist in the inevitable discovery of additional nickel sulphide mineralisation within the Mt Windarra Belt.

*Note: The information in this Annual Report relates to Exploration Results and Mineral Resources based on information compiled by Mr N Hutchison who is a Member of The Australian Institute of Geoscientists. Mr Hutchison has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' He has consented to the inclusion in the Annual Report of the matters based on his information in the form and context in which it appears.*

*The Australian Stock Exchange has not received and does not accept responsibility for the accuracy or adequacy of this release.*

**7. Corporate Governance Statement**

The board of directors of the Company is responsible for the corporate governance of the economic entity. The board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

**7.1 Corporate Governance Disclosure**

The board and management are committed to corporate governance and to the extent that they are applicable to the Company have followed the "Principles of Good Corporate Governance and Best Practice Recommendations" issued by the Australian Stock Exchange ("ASX") Corporate Governance Council.

In summary, the Company does not depart from the guidelines in any areas.

**7.2 Structure of the Board**

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.

In the context of director independence "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Poseidon are considered to be independent:

<b>Name</b>	<b>Position</b>
Mr A Forrest	Non-Executive Chairman
Mr C Indermaur	Non-Executive Director
Mr R Monti	Non-Executive Director
Mr G Brayshaw	Non-Executive Director

There are procedures in place, agreed by the board, to enable the directors in furtherance of their duties to seek independent professional advice at the Company's expense.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

**7.2 Structure of the Board (continued)**

The term in office held by each director is as follows:

<b>Name</b>	<b>Term</b>
Mr A Forrest	No contract
Mr C Indermaur	No contract
Mr R Monti	No contract
Mr D Singleton	5 years
Mr G Brayshaw	No contract

**7.3 Remuneration and Nominations Committee**

It is the Company's objective to provide maximum shareholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration and Nominations Committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives;
- Attraction of high quality management to the Company; and
- Performance incentives that allow executives to share in the success of the Company

For full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within section 7.4 of the Directors' Report.

There is no scheme to provide retirement benefits to non-executive directors.

The board is responsible for determining and reviewing compensation arrangements for the directors themselves, the managing director and the executive team. The board has established a Remuneration and Nominations Committee comprising three (3) non-executive directors.

The members of the Remuneration and Nominations Committee throughout the year were:

- Mr C Indermaur (Chairman)
- Mr R Monti
- Mr G Brayshaw

For details on the number of meetings of the Remuneration and Nominations Committee held during the year and the attendees at those meetings refer to section 3 of the Directors' Report.

**Poseidon Nickel Limited**  
**Directors' report (continued)**  
**For the year ended 30 June 2008**

**7.4 Remuneration report – audited**

**7.4.1 Principles of compensation – audited**

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company and Group and other executives. Key management personnel comprise the directors and executives for the Company and Group including the five most highly remunerated executive officers of the Company and Group in accordance with S300A of the Corporations Act 2001.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms to market best practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Capital Management

Compensation levels for key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. Compensation packages include a mix of fixed and variable compensation and short and long-term performance-based incentives.

The Company and Group does not have a policy on directors or executives hedging their equity compensation received.

**Fixed compensation**

Fixed compensation ("FC") consists of base compensation which is calculated on a total cost basis and includes employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration and Nominations Committee through a process that considers both individual and overall performance of the Company. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the marketplace. A senior executive's compensation is also reviewed on promotion.

**Performance linked compensation**

Performance linked compensation is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The incentive bonus is an 'at risk' bonus provided in the form of cash, however, employees can elect to receive the bonus in shares through the Team Bonus Scheme ("TaBS"). The Company also operates an Employee Share Option Plan ("ESOP").

**Incentive bonus**

The incentive bonus provides compensation to employees when key performance measures are achieved in line with business targets. The broad terms around the quantum of any incentive bonus, under current company practice, is related to a percentage of the FC amount. The Company has set a bonus range of between one month of an individual's FC amount to a maximum of 100% of annual base salary.

The bonus is derived from a series of key performance measures related to business and individual performance. The aim of the scheme is to reward and recognise performance. The general practice would be to pay an amount of between 0% - 50% of the applicable bonus range in recognition of actual performance levels noting that 100% would only be made in recognition of extraordinary achievement.



Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

**7.4 Remuneration report – audited (continued)**

**7.4.1 Principles of compensation – audited (continued)**

**Incentive bonus (continued)**

The Remuneration and Nominations Committee reviews and recommends to the board, the individual bonuses for key management personnel taking into account the achievement of the team and particularly their individual performance. The Remuneration and Nominations Committee also recommends a maximum allocation of funds for bonuses to other employees. These funds are then allocated on a strictly individual basis related to personal performance.

The board has adopted a recommendation from the Remuneration and Nominations Committee to establish a performance based incentive bonus whereby the aims are to:

- Motivate and reward employees for creating significant value in the company and thereby aligning the interests of employees and shareholders;
- Provide targeted but competitive compensation and a long-term incentive for the retention of key employees; and
- Support a culture of employee share ownership.

As part of the incentive bonus, employees can elect to receive their bonus in cash or "Participating Shares" under the terms of TaBS. The number of shares will be calculated based upon the pre-tax cash bonus divided by the 5 day VWAP (Volume Weighted Average Price) of the Company's shares prior to the decision to award the bonus being made by the board. The value of the participating shares is disclosed as a Hybrid share based payment in section 7.4.2 of the Directors' report and vest upon granting.

Members of TaBS will also be issued with additional "Special Bonus Shares" in the ratio of 1 additional share for every 2 participating shares. Participation is by invite only and is not a contractual right but will generally include greater than 75% of all employees. The Special Bonus Shares will be subject to a holding lock for a period of 3 years from the date of issue and the satisfaction of a number of vesting conditions. The value of the special bonus shares relating to the proportion vested in the financial year is included in the Shares share based payment in section 7.4.2 of the Directors' report.

In addition, the board can decide to grant options to a limited number of senior executives at its discretion under the ESOP (made in accordance with thresholds set in plans approved by shareholders at the 2007 AGM). The ESOP provides for key management personnel to receive up to 100% of compensation as an option package as a competitive incentive and retention mechanism. The ability to exercise the options is conditional on a number of conditions that include service based and share price performance hurdles to be met and must be exercised between 3 and 5 years of issue.

**Consequences of performance on shareholder wealth**

In considering the Company's performance and benefits for shareholder wealth, the Remuneration and Nomination Committee have regard to the following indicies in respect of the current financial year, however the four previous financial years are not considered relevant due to the changes to the key management personnel on 2 July 2007.

<i>In thousands of AUD</i>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Net loss attributable to equity holders of the parent	(256,095)	(7,546)	(920)	(1,242)	(526)
Dividends paid	-	-	-	-	-
Change in share price	\$(0.72)	\$1.52	\$0.14	\$0.19	\$0.19
% Change in share price	(34.6)%	271.4%	33.3%	82.6%	475.0%

Poseidon Nickel Limited  
Directors' report (continued)  
For the year ended 30 June 2008

**7.4 Remuneration report – audited (continued)**

**7.4.1 Principles of compensation – audited (continued)**

**Service contracts**

It is the Company's policy that service contracts for key management personnel, excluding the chief executive officer, are 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 key management personnel are also entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave together with any superannuation benefits.

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to 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 compensation policy.

Mr D Singleton, Chief Executive Officer, has an employment agreement dated 2 July 2007 with the Company and was appointed as Managing Director from 1 February 2008. The agreement specifies the duties and obligations to be fulfilled by the chief executive officer and provides that the board and chief executive officer will early in each financial year, consult and agree objectives for achievement during that year. Compensation levels are reviewed each year by the Remuneration and Nominations Committee and take into account any change in the scope of the role performed and any changes required to meet the principles of the compensation policy.

The employment agreement is for a period of 5 years and subject to agreement by the Company, can be extended for a further 5 year term. The agreement is capable of being terminated on three months' notice by the chief executive officer and six months notice by the Company. The Company retains the right to terminate the agreement immediately, by making payment equal to six months' pay in lieu of notice. The chief executive officer has no entitlement to termination payment in the event of removal for misconduct.

**Non-executive directors**

Total compensation for all non-executive directors, last voted upon by shareholders at the 2 July 2007 General Meeting, is not to exceed \$350,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' fees for the year to 30 June 2008 are \$187,816.

Non-executive directors do not receive performance related compensation and directors' fees cover all main board activities. Non-executive director members who sit on more than one committee receive an additional payment of \$5,000 per annum for each additional committee of which they are a member. Non-executive director members who chair a committee receive a further additional payment of \$5,000 per annum for each committee chaired.

Under the Director Share Plan ("DSP") approved by shareholders at the AGM on 28 November 2007, non-executive directors have elected to receive director fees as shares in lieu of cash in order to retain the cash reserves of the Company. The value of the shares awarded to non-executive directors has been disclosed as a Hybrid share based payment in the table in section 7.4.2 of the Directors' report. The fair value at the grant date was \$1.19 per share.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

7.4 Remuneration report – audited (continued)

7.4.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited

In AUD		Short-term	Post employment	Share-based payments			Total	Proportion of remuneration performance related %	Proportion of remuneration performance related %
		Salary & fees \$ (A)	Super-annuation benefits \$	Options and rights \$ (B)	Shares \$ (C)	Hybrids \$ (D)			
<b>Directors</b>									
<b>Non-executive directors</b>									
Mr A Forrest (appointed 2 July 2007)	2008	-	-	226,826,000	8,700,000	40,000	235,566,000	-	96.3%
	2007	-	-	-	-	-	-	-	-
Mr C Indermaur (appointed 2 July 2007)	2008	-	-	-	-	67,926	67,926	-	-
	2007	-	-	-	-	-	-	-	-
Mr R Monti (appointed 4 April 2007)	2008	-	-	4,931,000	870,000	55,000	5,856,000	-	84.2%
	2007	5,000	450	-	-	-	5,450	-	-
Mr G Brayshaw (appointed 1 February 2008)	2008	24,890*	-	-	-	-	24,890	-	-
	2007	-	-	-	-	-	-	-	-
<b>Executive directors</b>									
Mr D Singleton (appointed MD 1 February 2008 & CEO 2 July 2007)	2008	359,033	32,313	522,542	-	281,250	1,195,138	23.5%	43.7%
	2007	-	-	-	-	-	-	-	-
<b>Executives</b>									
Mr R Dennis, COO (appointed 2 July 2007)	2008	359,432	32,349	46,868	967	176,393	616,009	28.8%	7.6%
	2007	-	-	-	-	-	-	-	-
Mr N Hutchison, GM Geology (appointed 23 May 2007)	2008	202,564	18,726	24,012	548	100,000	345,850	29.1%	6.9%
	2007	23,077	2,077	-	-	-	25,154	-	-
Mr M Rodriguez, Group Technology Manager (appointed 18 March 2008)	2008	333,125	7,481	-	261	47,500	388,367	12.3%	-
	2007	-	-	-	-	-	-	-	-
Mr G Jones, Financial Controller, (appointed 21 June 2007)	2008	154,872	13,938	3,234	439	80,000	252,483	31.9%	-
	2007	2,308	208	-	-	-	2,515	-	-
<b>Former</b>									
Mr P Landaus, Non-Executive Director (resigned 4 April 2007)	2008	-	-	-	-	-	-	-	-
	2007	20,000	1,800	-	-	-	21,800	-	-
Mr B Sceresini, Non- Executive Director (resigned 4 April 2007)	2008	-	-	-	-	-	-	-	-
	2007	20,000	1,800	414,952	-	-	436,752	-	-
Mr D Daws, Executive Director (resigned 2 July 2007)	2008	3,198	288	-	-	-	3,486	-	-
	2007	125,941	7,340	414,952	-	-	548,233	-	-
Mr C Daws, Executive Director & CEO (resigned 2 July 2007)	2008	3,077	277	-	-	-	3,354	-	-
	2007	311,313	15,950	414,952	-	-	742,215	-	-
<b>Total compensation: key management personnel (consolidated)</b>	2008	1,440,191	105,372	232,353,656	9,572,215	848,069	244,319,503		
	2007	507,639	29,625	1,244,856	-	-	1,782,119		
<b>Total compensation: key management personnel (company)</b>	2008	1,440,191	105,372	232,353,656	9,572,215	848,069	244,319,503		
	2007	507,639	29,625	1,244,856	-	-	1,782,119		

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

**7.4 Remuneration report – audited (continued)**

**7.4.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited (continued)**

**Notes in relation to the table of directors' and executive officers remuneration – audited**

- (A) \*Mr G Brayshaw has elected to receive non-executive director fees as shares in lieu of cash under the terms of the DSP. As the election is subject to shareholder approval at a General Meeting, the fees for the period have been disclosed as "Salary & fees".
- (B) The fair value of the options is calculated at the date of grant using a binominal option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. In valuing the options, market conditions have been taken into account.

The options to Mr A Forrest and Mr R Monti were granted on 2 July 2007, at the time of joining the board. The granting of the options was approved by shareholders at the general meeting held on 2 July 2007.

All other options were granted under the terms of the ESOP.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Option life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
2 July 2007	5 years	\$1.9724	\$0.40	\$2.14	100.00%	6.270%	0%
2 July 2007	4 years	\$1.5670	\$1.96	\$2.14	100.00%	6.270%	0%
29 November 2007	5 years	\$0.8660	\$1.41	\$1.16	100.00%	6.250%	0%
30 November 2007	5 years	\$0.8700	\$1.41	\$1.17	100.00%	6.270%	0%
11 April 2008	5 years	\$0.3880	\$1.41	\$0.62	100.00%	6.020%	0%

- (C) The share based payment expense recognised in the period for Mr A Forrest and Mr R Monti is the difference between the fair value of the shares issued (\$2.14 per share) to the directors at the time of joining the board on 2 July 2007 and the purchase price (\$0.40 per share). The granting of the shares was approved by shareholders at the general meeting held on 2 July 2007.

The shares granted to executives are the Special Bonus Shares issued in relation to the TaBS as discussed in section 7.4.1 of the Directors' report and vest over a 3 year period from the grant date of 18 June 2008.

- (D) The hybrid share based payment represents the short term incentive bonus issued to executives and shares issued to non-executive directors that allow the individual to choose whether to receive cash or shares. Refer to the TaBS plan and the DSP in section 7.4.1 of the Directors' report.

**Details of performance related remuneration**

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed in section 7.4.1 of the Directors' report.

**7.4.3 Equity instruments**

All options refer to options over ordinary shares of Poseidon Nickel Limited, which are exercisable on a one-for-one basis under the ESOP plan except for those options issued to Mr A Forrest and Mr R Monti.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

7.4 Remuneration report – audited (continued)

7.4.3 Equity instruments (continued)

Options and rights over equity instruments granted as compensation – audited

**Options**

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested are as follows:

	Number of options granted during 2008	Grant date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date	Number of options vested during 2008
<b>Directors</b>						
Mr A Forrest	115,000,000	2 July 2007	\$1.9724	\$0.40	19 September 2012	115,000,000
Mr C Indermaur	-	-	-	-	-	-
Mr R Monti	2,500,000	2 July 2007	\$1.9724	\$0.40	31 July 2012	2,500,000
Mr D Singleton	1,000,000	2 July 2007	\$1.5670	\$1.96	2 July 2011	-
Mr G Brayshaw	-	-	-	-	-	-
<b>Executives</b>						
Mr R Dennis	277,000	29 November 2007	\$0.8660	\$1.41	22 October 2012	-
Mr N Hutchison	142,000	30 November 2007	\$0.8700	\$1.41	22 October 2012	-
Mr M Rodriguez	-	-	-	-	-	-
Mr G Jones	114,000	14 April 2008	\$0.3880	\$1.41	22 October 2012	-
	<u>119,033,000</u>					<u>117,500,000</u>

No options were granted to directors or executives in the previous financial year and no options have been granted since the end of the financial year. All options granted in the financial year were provided to directors and executives at no consideration.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are generally exercisable 3 years from grant date. In addition to a continuing employment service condition, the ability to exercise options is conditional on the Group achieving certain share price performance hurdles. The options issued to directors and executives as part of the ESOP have service and share price performance hurdles that have not yet been met

The options granted to Mr A Forrest and Mr R Monti have met the share price conditions. For options granted in the current year, the earliest exercise date is 9 July 2007 and relates to the options issued to Mr A Forrest and Mr R Monti.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

7.4 Remuneration report – audited (continued)

7.4.3 Equity instruments (continued)

Options and rights over equity instruments granted as compensation – audited (continued)

**Shares**

Details on shares in the Company that were granted as compensation to each key management person during the reporting period are as follows:

	Number of shares granted during 2008	Grant date	Fair value per share at grant date (\$)	Purchase price per share at issue date (\$)	Total (\$)
<b>Directors</b>					
Mr A Forrest	5,000,000	2 July 2007	\$2.14	\$0.40	8,700,000
Mr C Indermaur	-	-	-	-	-
Mr R Monti	500,000	2 July 2007	\$2.14	\$0.40	870,000
Mr D Singleton	-	-	-	-	-
Mr G Brayshaw	-	-	-	-	-
<b>Executives</b>					
Mr R Dennis	110,246	18 June 2008	\$0.80	-	967
Mr N Hutchison	62,500	18 June 2008	\$0.80	-	548
Mr M Rodriguez	29,688	18 June 2008	\$0.80	-	261
Mr G Jones	50,000	18 June 2008	\$0.80	-	439
	<u>5,752,434</u>				<u>9,572,215</u>

No shares were granted to directors or executives in the previous financial year and no shares have been granted since the end of the financial year.

The share based payment expense recognised in the period for Mr A Forrest and Mr R Monti is the difference between the fair value of the shares issued (\$2.14 per share) to the directors at the time of joining the board on 2 July 2007 and the purchase price (\$0.40 per share). The granting of the shares was approved by shareholders at the general meeting held on 2 July 2007.

The shares granted to executives are the Special Bonus Shares issued in relation to the TaBS as discussed in section 7.4.1 of the Directors' report and vest over a 3 year period from the grant date of 18 June 2008.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

7.4 Remuneration report – audited (continued)

7.4.3 Equity instruments (continued)

Options and rights over equity instruments granted as compensation – audited (continued)

**Hybrids**

Details on hybrids in the Company that were granted as compensation to each key management person during the reporting period are as follows:

	Number of hybrids granted during 2008	Grant or quarter end date	Purchase price per hybrid at issue date (\$)	Total (\$)
<b>Directors</b>				
Mr A Forrest	8,941	30 September 2007	\$1.1184	10,000
	7,780	31 December 2007	\$1.2853	10,000
	13,686	31 March 2008	\$0.7307	10,000
	10,538	30 June 2008	\$0.9489	10,000
	<u>40,945</u>			<u>40,000</u>
Mr C Indermaur	15,647	30 September 2007	\$1.1184	17,500
	13,615	31 December 2007	\$1.2853	17,500
	22,822	31 March 2008	\$0.7307	16,676
	17,124	30 June 2008	\$0.9489	16,250
	<u>69,210</u>			<u>67,926</u>
Mr R Monti	12,294	30 September 2007	\$1.12	13,750
	10,698	31 December 2007	\$1.29	13,750
	18,818	31 March 2008	\$0.73	13,750
	14,490	30 June 2008	\$0.95	13,750
	<u>56,300</u>			<u>55,000</u>
Mr D Singleton	351,563	18 June 2008	\$0.80	281,250
Mr G Brayshaw	-	-	-	-
<b>Executives</b>				
Mr R Dennis	220,491	18 June 2008	\$0.80	176,393
Mr N Hutchison	125,000	18 June 2008	\$0.80	100,000
Mr M Rodriguez	59,375	18 June 2008	\$0.80	47,500
Mr G Jones	100,000	18 June 2008	\$0.80	80,000
	<u>1,022,884</u>			<u>848,069</u>

The number and value of hybrids issued to non-executive directors in the year is the equivalent to the director fee cash value that has been elected to be received as shares. Refer to the DSP in section 7.4.1 of the Directors' report.

The number and value of hybrids issued to executive directors and executives represents the incentive bonus that allows the individual to choose whether to receive cash or shares. Refer to the TaBS plan in section 7.4.1 of the Directors' report.

**Modification of terms of equity-settled share-based payment transactions - audited**

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.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

7.4 Remuneration report – audited (continued)

7.4.3 Equity instruments (continued)

Options and rights over equity instruments granted as compensation – audited (continued)

Exercise of options granted as compensation – audited

During the reporting period, the following shares were issued on the exercise of options previously granted as compensation:

2008	Number of shares	Amount paid \$/share
<b>Directors</b>		
Mr C Daws	2,200,000	0.001
Mr D Daws	2,200,000	0.001

No amounts are unpaid on the shares issued as a result of the exercise of the options in the 2007 financial year.

Analysis of options and rights over equity instruments granted as compensation – audited

Options

Details of vesting profile of the options granted to each director of the Company and each of the five named Company executives and relevant Group executives and other key management personnel are detailed below.

Directors	Options granted		% vested in year	Financial years in which grant vests
	Number	Grant date		
Mr A Forrest	115,000,000	2 July 2007	100%	2008
Mr C Indermaur	-	-	-	-
Mr R Monti	2,500,000	2 July 2007	100%	2008
Mr D Singleton	1,000,000	2 July 2007	-	2011
Mr G Brayshaw	-	-	-	-
<b>Executives</b>				
Mr R Dennis	277,000	29 November 2007	-	2011
Mr N Hutchison	142,000	30 November 2007	-	2011
Mr M Rodriguez	-	-	-	-
Mr G Jones	114,000	14 April 2008	-	2011
	<u>119,033,000</u>			

Shares

Details of vesting profile of the shares granted to each director of the Company and each of the five named Company executives and relevant Group executives and other key management personnel are detailed below.

Directors	Shares granted		% vested in year	Financial years in which grant vests
	Number	Grant date		
Mr A Forrest	5,000,000	2 July 2007	100%	2008
Mr C Indermaur	-	-	-	-
Mr R Monti	500,000	2 July 2007	100%	2008
Mr D Singleton	-	-	-	-
Mr G Brayshaw	-	-	-	-
<b>Executives</b>				
Mr R Dennis	110,246	18 June 2008	-	2011
Mr N Hutchison	62,500	18 June 2008	-	2011
Mr M Rodriguez	29,688	18 June 2008	-	2011
Mr G Jones	50,000	18 June 2008	-	2011
	<u>5,752,434</u>			



Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

7.4 Remuneration report – audited (continued)

7.4.3 Equity instruments (continued)

Options and rights over equity instruments granted as compensation – audited (continued)

Analysis of options and rights over equity instruments granted as compensation – audited

**Shares (continued)**

No shares were granted to directors or executives in the previous financial year and no shares have been granted since the end of the financial year.

The shares granted to executives are in line with the Special Bonus Shares discussed in section 7.4.1 of the Directors' report and vest over a 3 year period from grant.

**Hybrids**

Details of vesting profile of the hybrids granted to each director of the Company and each of the five named Company executives and relevant Group executives and other key management personnel are detailed below.

Directors	Hybrids granted		% vested in year (A)	Financial years in which grant vests
	Number	Grant or quarter end date		
Mr A Forrest	8,941	28 November 2007	100%	2008
	7,780	31 December 2007	100%	2008
	13,686	31 March 2008	100%	2008
	<u>10,538</u>	30 June 2008	100%	2008
	40,946			
Mr C Indermaur	15,647	28 November 2007	100%	2008
	13,615	31 December 2007	100%	2008
	22,822	31 March 2008	100%	2008
	<u>17,124</u>	30 June 2008	100%	2008
	69,210			
Mr R Monti	12,294	28 November 2007	100%	2008
	10,698	31 December 2007	100%	2008
	18,818	31 March 2008	100%	2008
	<u>14,490</u>	30 June 2008	100%	2008
	56,300			
Mr D Singleton	351,563	18 June 2008	100%	2008
Mr G Brayshaw	-	-	-	-
<b>Executives</b>				
Mr R Dennis	220,491	18 June 2008	100%	2008
Mr N Hutchison	125,000	18 June 2008	100%	2008
Mr M Rodriguez	59,375	18 June 2008	100%	2008
Mr G Jones	<u>100,000</u>	18 June 2008	100%	2008
	<u>1,022,885</u>			

(A) The % vested in the year for the executives represents the proportion of the total incentive bonus that has vested in the financial year.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

7.4 Remuneration report – audited (continued)

7.4.3 Equity instruments (continued)

Analysis of options and rights over equity instruments granted as compensation – audited (continued)

Analysis of movements in options – audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company director and each of the five named Company executives and relevant group executives and other key management personnel is detailed below.

	Granted in year \$ (A)	Value of Options Exercised in year \$ (B)	Total option value in year \$
<b>Directors</b>			
Mr A Forrest	226,826,000	-	226,826,000
Mr C Indermaur	-	-	-
Mr R Monti	4,931,000	-	4,931,000
Mr D Singleton	522,542	-	522,542
Mr G Brayshaw	-	-	-
Mr D Daws	-	4,705,800	4,705,800
Mr C Daws	-	4,705,800	4,705,800
<b>Executives</b>			
Mr R Dennis	46,868	-	46,868
Mr N Hutchison	24,012	-	24,012
Mr M Rodriguez	-	-	-
Mr G Jones	3,234	-	3,234
	<u>232,353,656</u>	<u>9,411,600</u>	<u>241,765,256</u>

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

There were no options forfeited in the financial year.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

### 7.5 Audit and Risk Management Committee

The board has established an Audit and Risk Management Committee, which operates under a Charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of key performance indicators. The board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Management Committee.

### 7.6 Best Practice Recommendation

Outlined below are the 10 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council as they applied for the Financial Year ended 30 June 2008. The Company has complied with the Corporate Governance Best Practice Recommendations except as identified below.

Corporate Governance Policy	Action taken and reasons if not adopted
<p><b><u>Recognise and publish the respective roles and responsibilities of the board and management</u></b></p>	
<p><i>Principle 1: Lay solid foundation for management and oversight</i></p>	
<p>1.1 Formalise and disclose the functions reserved to the Board and those delegated to management</p>	Adopted
<p><b><u>Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties</u></b></p>	
<p><i>Principle 2: Structure the board to add value</i></p>	
<p>2.1 A majority of the Board should be independent</p>	Adopted
<p>2.2 The chairperson should be an independent director</p>	Adopted
<p>2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual</p>	Adopted
<p>2.4 The board should establish a nomination committee</p>	Adopted
<p>2.5 Provide the information indicated in 'Guide to reporting on Principle 2'</p>	Adopted
<p><b><u>Actively promote ethical and responsible decision-making</u></b></p>	
<p><i>Principle 3: Promote ethical and responsible decision-making</i></p>	
<p>3.1 Establish a code of conduct to guide the directors, the managing director (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:</p>	Adopted
<p>3.1.1 the practices necessary to maintain confidence in the Company's integrity; and</p>	
<p>3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices</p>	
<p>3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees.</p>	Adopted
<p>3.3 Provide the information indicated in 'Guide to Reporting on Principle 3'.</p>	Adopted

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

**7.6 Best Practice Recommendation (continued)**

Corporate Governance Policy	Action taken and reasons if not adopted
<p><b><i>Have a structure in place to independently verify and safeguard the integrity of the Company's financial reporting</i></b></p>	
<p><i>Principle 4: Safeguard integrity in financial reporting</i></p>	
<p>4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.</p>	Adopted
<p>4.2 The Board should establish an audit committee</p>	Adopted
<p>4.3 Structure the Audit Committee so that it consists of:</p> <ul style="list-style-type: none"> <li>• Only non-executive directors</li> <li>• A majority of independent directors</li> <li>• An independent chairperson who is not the chairperson of the Board</li> <li>• At least three members</li> </ul>	Adopted
<p>4.4 The Audit Committee should have a formal operating charter</p>	Adopted
<p>4.5 Provide the information indicated in the 'Guide to reporting on Principle 4'</p>	Adopted
<p><b><i>Promote timely and balanced disclosure of all material matters concerning the Company</i></b></p>	
<p><i>Principle 5: Make timely and balanced disclosure</i></p>	
<p>5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance</p>	Adopted
<p>5.2 Provide the information indicated in the 'Guide to reporting on Principle 5'</p>	Adopted
<p><b><i>Respect the rights of shareholders and facilitate the effectiveness of those rights</i></b></p>	
<p><i>Principle 6: Respect the rights of shareholders</i></p>	
<p>6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.</p>	Adopted
<p>6.2 Request the external audit to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report</p>	Adopted

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

**7.6 Best Practice Recommendation (continued)**

Corporate Governance Policy	Action taken and reasons if not adopted
<p><b><u>Establish a sound system of risk oversight and management and internal control</u></b></p>	
<p><i>Principle 7: Recognise and manage risk</i></p>	
<p>7.1 The Board or appropriate Board committee should establish policies on risk oversight and management</p>	Adopted
<p>7.2 The managing director (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:</p>	Adopted
<p>7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board</p>	
<p>7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</p>	
<p>7.3 Provide the information indicated in the 'Guide to reporting on Principle 7'</p>	Adopted
<p><b><u>Fairly review and actively encourage enhanced board and management effectiveness</u></b></p>	
<p><i>Principle 8: Encourage enhanced performance</i></p>	
<p>8.1 Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives</p>	Adopted
<p><b><u>Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined</u></b></p>	
<p><i>Principle 9: Remunerate fairly and responsibly</i></p>	
<p>9.1 Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the cost and benefits of these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.</p>	Adopted
<p>9.2 The Board should establish a remuneration committee.</p>	Adopted
<p>9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.</p>	Adopted
<p>9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.</p>	Adopted
<p><b><u>Recognise the legal and other obligations of all legitimate stakeholders</u></b></p>	
<p><i>Principle 10: Recognise the legitimate interest of stakeholders</i></p>	
<p>10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders</p>	Adopted

In September 2008 the Board of Poseidon resolved to adopt the revised ASX Corporate Governance Principles and Recommendations for the year ended 30 June 2009.

Further information on the Corporate Governance Policies that have been adopted by Poseidon can be referenced at the Company's website: [www.poseidonnickel.com.au](http://www.poseidonnickel.com.au)

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

**8. Dividends**

The Directors recommend that no dividend be declared or paid.

**9. Events subsequent to reporting date**

There has not arisen in the interval between the end of the financial year 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.

**10. 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:

	Poseidon Nickel Limited	
	Ordinary shares	Options over ordinary shares
Mr A Forrest	5,000,000	-
Mr C Indermaur	69,208	-
Mr R Monti (Ventnor Capital)	293,800	1,250,000
Mr D Singleton	1,000,000	1,000,000
Mr G Brayshaw	-	-

Mr A Forrest subsequently gifted his option entitlement of 115,000,000 options to Leaping Joey Pty Ltd as trustee for the Australian Children's Trust ("ACT") and continues to gift shares issued in lieu of director fees to the ACT.

Mr R Monti (Ventnor Capital) gifted 262,500 shares and 1,250,000 options of his initial 500,000 shares and 2,500,000 options respectively issued on 2 July 2007.

**11. Share options**

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

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and to the following of the five most highly remunerated executives of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
<b>Directors</b>			
Mr A Forrest	115,000,000	0.40	19 September 2012
Mr C Indermaur	-	-	-
Mr R Monti	2,500,000	0.40	31 July 2012
Mr D Singleton	1,000,000	1.96	2 July 2011
Mr G Brayshaw	-	-	-
<b>Executives</b>			
Mr R Dennis	277,000	1.41	22 October 2012
Mr N Hutchison	142,000	1.41	22 October 2012
Mr M Rodriguez	-	-	-
Mr G Jones	114,000	1.41	22 October 2012

All options were granted during the financial year. No options have been granted since the end of the financial year.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

**11. Share options (continued)**

**Unissued shares under options**

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
5 December 2009	0.81	6,157,403
5 December 2011	0.92	6,157,904
2 July 2011	1.96	1,000,000
31 July 2012	0.40	2,500,000
19 September 2012	0.40	115,000,000
22 October 2012	1.41	533,000
		131,348,307

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

**Shares issued on exercise of options**

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
4,800,000	\$0.001
500	\$0.920

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

**Insurance premiums**

The Company has agreed to indemnify the following current directors of the Company, Mr A Forrest, Mr C Indermaur, Mr R Monti, Mr D Singleton, Mr G Brayshaw and the following former directors, Mr D Daws, Mr C Daws and Mr B Sceresini, 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. 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.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2008

**13. Non-audit services**

During the year KPMG, the Company's auditor, has not performed other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	Consolidated	
	2008 \$	2007 \$
<b>Audit services:</b>		
<i>Auditors of the Company:</i>		
audit and review of financial reports (KPMG Australia)	29,650	-
	29,650	-
<i>Other auditors:</i>		
audit and review of financial reports (non-KPMG firms)	6,235	24,125
	6,235	24,125

There were no other services other than statutory audit.

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

The Lead auditor's independence declaration is set out on page 79 and forms part of the directors' report for financial year ended 30 June 2008.

**15. Rounding off**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, 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  
 25<sup>th</sup> September 2008



# Poseidon Nickel Limited

## Income statements

For the year ended 30 June 2008

In thousands of AUD

### Continuing operations

	Note	Consolidated		Company	
		2008	2007	2008	2007
Other income	7	250	336	262	336
Depreciation expense		(41)	(23)	(41)	(23)
Personnel expenses	8	(1,499)	(468)	(1,499)	(468)
Exploration costs written off	12	(2,704)	(4,294)	(2,704)	(4,262)
Corporate and administration costs		(1,236)	(1,579)	(1,236)	(1,522)
Share based payment expense	23	(242,511)	(1,320)	(242,511)	(1,320)
Other expenses		(307)	(201)	(307)	(815)
<b>Results from operating activities</b>		<b>(248,048)</b>	<b>(7,549)</b>	<b>(248,036)</b>	<b>(8,074)</b>
Finance income		702	306	702	306
Finance expenses		(8,749)	-	(8,749)	-
<b>Net financing costs</b>	9	<b>(8,047)</b>	<b>306</b>	<b>(8,047)</b>	<b>306</b>
<b>Loss before income tax</b>		<b>(256,095)</b>	<b>(7,243)</b>	<b>(256,083)</b>	<b>(7,768)</b>
Income tax expense	10	-	-	-	-
<b>Loss from continuing operations</b>		<b>(256,095)</b>	<b>(7,243)</b>	<b>(256,083)</b>	<b>(7,768)</b>
<b>Discontinued operation</b>					
Loss of discontinued operation (net of income tax)	6	-	(303)	-	-
<b>Loss for the period</b>		<b>(256,095)</b>	<b>(7,546)</b>	<b>(256,083)</b>	<b>(7,768)</b>
Loss attributable to equity holders of the Company		(256,095)	(7,546)	(256,083)	(7,768)
<b>Loss per share:</b>					
Basic and diluted loss per share (cents/share)	19	(158.5)	(6.1)		
<b>Continuing operations</b>					
Basic and diluted loss per share (cents/share)	19	(158.5)	(5.9)		

The notes on pages 35 to 75 are an integral part of these consolidated financial statements.

# Poseidon Nickel Limited

## Statements of changes in equity

For the year ended 30 June 2008

		Consolidated					
		Share based payment reserve	Fair value reserve	Option premium reserve	Accumulated losses	Total equity	
<i>In thousands of AUD</i>	Note	Issued Capital					
Balance at 1 July 2006		38,130	187	854	-	(20,386)	18,785
Loss for the year		-	-	-	-	(7,546)	(7,546)
Total recognised income and expense		38,130	187	854	-	(27,932)	11,239
Issue of share capital (net of costs)		9,439	-	-	-	-	9,439
Issue of options (net of costs)		-	1,320	-	-	-	1,320
Exercise of options		10,117	(461)	-	-	461	10,117
Gain (loss) on revaluation of investments		-	-	(623)	-	-	(623)
Balance at 30 June 2007		57,686	1,046	231	-	(27,471)	31,492
Balance at 1 July 2007		57,686	1,046	231	-	(27,471)	31,492
Loss for the year		-	-	-	-	(256,095)	(256,095)
Total recognised income and expense		57,686	1,046	231	-	(283,566)	(224,603)
Issue of share capital (net of costs)		14,100	-	-	-	-	14,100
Issue of options (net of costs)		-	232,354	-	510	(166)	232,698
Exercise of options		5	(1,046)	-	-	1,046	5
Gain (loss) on revaluation of investments		-	-	(231)	-	-	(231)
Balance at 30 June 2008		71,791	232,354	-	510	(282,686)	21,969
		Company					
		Share based payment reserve	Fair value reserve	Option premium reserve	Retained earnings	Total equity	
<i>In thousands of AUD</i>	Note	Issued Capital					
Balance at 1 July 2006		38,130	187	854	-	(20,176)	18,995
Loss for the year		-	-	-	-	(7,768)	(7,768)
Total recognised income and expense		38,130	187	854	-	(27,944)	11,227
Issue of share capital (net of costs)		9,439	-	-	-	-	9,439
Issue of options (net of costs)		-	1,320	-	-	-	1,320
Exercise of options		10,117	(461)	-	-	461	10,117
Gain (loss) on revaluation of investments		-	-	(623)	-	-	(623)
Balance at 30 June 2007		57,686	1,046	231	-	(27,483)	31,480
Balance at 1 July 2007		57,686	1,046	231	-	(27,483)	31,480
Loss for the year		-	-	-	-	(256,083)	(256,083)
Total recognised income and expense		57,686	1,046	231	-	(283,566)	(224,603)
Issue of share capital (net of costs)		14,100	-	-	-	-	14,100
Issue of options (net of costs)		-	232,354	-	510	(166)	232,698
Exercise of options		5	(1,046)	-	-	1,046	5
Gain (loss) on revaluation of investments		-	-	(231)	-	-	(231)
Balance at 30 June 2008		71,791	232,354	-	510	(282,686)	21,969

The notes on pages 35 to 75 are an integral part of these consolidated financial statements.

# Poseidon Nickel Limited

## Balance sheets

As at 30 June 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
<i>In thousands of AUD</i>					
<b>Assets</b>					
Cash and cash equivalents	17	14,365	10,485	14,365	10,473
Trade and other receivables	16	473	1,530	473	1,530
Other		24	24	24	24
<b>Total current assets</b>		<b>14,862</b>	<b>12,039</b>	<b>14,862</b>	<b>12,027</b>
Property, plant and equipment	11	1,904	403	1,904	403
Exploration and evaluation expenditure	12	31,975	17,301	31,975	17,301
Other investments	13	-	311	-	311
Other	14	3,500	3,500	3,500	3,500
<b>Total non-current assets</b>		<b>37,379</b>	<b>21,515</b>	<b>37,379</b>	<b>21,515</b>
<b>Total assets</b>		<b>52,241</b>	<b>33,554</b>	<b>52,241</b>	<b>33,542</b>
<b>Liabilities</b>					
Trade and other payables	25	2,438	1,903	2,438	1,903
Loans and borrowings	20	6,505	19	6,505	19
Convertible note derivative	21	17,470	-	17,470	-
Employee benefits	22	86	5	86	5
Provisions	24	3,500	-	3,500	-
<b>Total current liabilities</b>		<b>29,999</b>	<b>1,927</b>	<b>29,999</b>	<b>1,927</b>
Loans and borrowings	20	273	135	273	135
<b>Total non-current liabilities</b>		<b>273</b>	<b>135</b>	<b>273</b>	<b>135</b>
<b>Total liabilities</b>		<b>30,272</b>	<b>2,062</b>	<b>30,272</b>	<b>2,062</b>
<b>Net assets</b>		<b>21,969</b>	<b>31,492</b>	<b>21,969</b>	<b>31,480</b>
<b>Equity</b>					
Share capital	18	71,791	57,686	71,791	57,686
Reserves		232,864	1,277	232,864	1,277
Retained earnings		(282,686)	(27,471)	(282,686)	(27,483)
<b>Total equity</b>		<b>21,969</b>	<b>31,492</b>	<b>21,969</b>	<b>31,480</b>

The notes on pages 35 to 75 are an integral part of these consolidated financial statements.

# Poseidon Nickel Limited

## Statements of cash flows

For the year ended 30 June 2008

Note	Consolidated		Company	
	2008	2007	2008	2007
<i>In thousands of AUD</i>				
<b>Cash flows from operating activities</b>				
	308	133	308	133
	(2,877)	(1,971)	(2,877)	(1,910)
	(2,569)	(1,838)	(2,569)	(1,777)
	517	305	517	305
<b>Net cash from operating activities</b>	<b>17b</b>	<b>(2,052)</b>	<b>(2,052)</b>	<b>(1,472)</b>
<b>Cash flows from investing activities</b>				
	(1,105)	(426)	(1,105)	(426)
	(13,072)	(7,186)	(13,072)	(7,153)
	-	64	-	64
	262	530	262	530
	-	(5)	-	(111)
	6	-	18	-
	915	-	915	-
	-	(3,523)	-	(3,523)
<b>Net cash from investing activities</b>		<b>(12,994)</b>	<b>(12,982)</b>	<b>(10,619)</b>
<b>Cash flows from financing activities</b>				
	3,188	19,735	3,188	19,735
	15,730	-	15,730	-
	227	156	227	156
	(46)	(7)	(46)	(7)
	(62)	(446)	(62)	(446)
<b>Net cash from financing activities</b>		<b>19,037</b>	<b>19,037</b>	<b>19,438</b>
	3,991	7,359	4,003	7,347
	10,485	3,126	10,473	3,126
	(111)	-	(111)	-
<b>Cash and cash equivalents at 30 June</b>	<b>17a</b>	<b>14,365</b>	<b>14,365</b>	<b>10,473</b>

The notes on pages 35 to 75 are an integral part of these consolidated financial statements.

# Poseidon Nickel Limited

## Notes to the financial statements

### 1. Reporting entity

Poseidon Nickel Limited ("the Company") is a company domiciled in Australia. The address of the Company's registered office is Level 2, Spectrum, 100 Railway Road, Subiaco WA 6008. The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled operations.

### 2. Basis of preparation

#### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the Company also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 25 September 2008.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- convertible note derivative at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- share based payments are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

#### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

# Poseidon Nickel Limited

## Notes to the financial statements

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### (a) Basis of consolidation

##### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

##### Jointly controlled operating assets

The interest of the Group in unincorporated joint ventures and joint controlled assets are brought to account by recognising in its financial statements the assets its controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

##### Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### (b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

#### (c) Financial instruments

##### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (c) Financial instruments (continued)

###### Non-derivative financial instruments (continued)

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(k).

###### *Available-for-sale financial assets*

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available-for-sale monetary items, are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

###### *Investments at fair value through profit or loss*

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

###### *Other*

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

###### **Convertible Note Liability and Derivative**

Convertible Notes issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder and a convertible note derivative whose fair value changes with the Company's underlying share price.

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 firstly 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. The fair value of the derivative portion has been valued using a valuation technique including inputs that include reference to similar instruments and option pricing models.

Subsequent to initial recognition, the liability component of the convertible note is measured at amortised cost using the effective interest method. The convertible note derivative is measured at fair value through profit or loss.

The convertible note liability and derivative are removed from the balance sheet 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. Both the convertible note liability and derivative are classified as current liabilities as the option holder has the right to convert at anytime.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (c) Financial instruments (continued)

###### Share capital

###### *Ordinary shares*

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

##### (d) Property, plant and equipment

###### 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. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

###### Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

###### Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- |                          |              |
|--------------------------|--------------|
| • leasehold improvements | 25 years     |
| • computer equipment     | 2 – 4 years  |
| • plant and equipment    | 3 – 13 years |
| • motor vehicles         | 4 – 6 years  |

Depreciation methods, useful lives and residual values are reassessed at the reporting date.



## Poseidon Nickel Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (e) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- researching and analysing historical exploration data
- gathering exploration data through topographical, geochemical and geophysical studies
- exploratory drilling, trenching and sampling
- determining and examining the volume and grade of the resource
- surveying transportation and infrastructure requirements
- conducting market and finance studies

Administration costs that are not directly attributable to specific exploration area are charged to the income statement. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised.

Exploration and evaluation expenditure for each identifiable area of interest is charged to the income statement as incurred except where it has been established the existence of a commercially recoverable mineral resource that will provide a future economic benefit to the Company.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the likely resources.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of the environmental rehabilitation of the mine site are included as a rehabilitation asset and recognised in accordance with 3 (i).

##### (f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

##### (g) Impairment

###### Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred profit or loss.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (g) Impairment (continued)

###### Financial assets (continued)

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

###### Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### (h) Employee benefits

###### Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

###### Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (h) Employee benefits (continued)

###### Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

##### (i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 Group has made a provision of \$3,500,000 as assessed by the Department of Industry and Resources (DOIR), in recognition of an on-going commitment to the environmental rehabilitation of the Windarra mine site.

##### (j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### (k) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial liabilities at fair value through profit or loss, impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (l) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

##### (m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

##### (n) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal, or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

##### (o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

##### (p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (q) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

- Revised AASB 3 *Business Combinations* and amending standard AASB 2008-3 changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 8 *Operating Segments* and amending standard AASB 2007-3 introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 5).
- Revised AASB 101 *Presentation of Financial Statements* and amending standard AASB 2007-8 introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 *Borrowing Costs* and amending standard AASB 2007-6 removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* and amending standard AASB 2008-3 changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 3. Significant accounting policies (continued)

##### (q) New standards and interpretations not yet adopted (continued)

- As part of the annual improvement project, amending standards AASB 2008-5 and AASB 2008-6 have been issued and are mandatory for financial years ending 31 December 2009 and 30 June 2010 respectively. The Group has not yet determined the potential effects of the revised standards on the consolidated financial report.

#### 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### (a) Convertible Note Derivatives

The fair value of the convertible note derivative has been determined by firstly computing the fair value per option multiplied by the number of outstanding options. The fair value per option is computed using a binomial option pricing model that takes account of the exercise price, the term of the option, the company's share price at 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.

##### (b) Non-derivative financial liabilities

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.

##### (c) Share-based payment transactions

The fair value of employee share options is measured using the binomial option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information) and weighted average expected life of the instruments (based on historical experience).

#### 5. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

##### Business segments

The Group comprises the following main business segments:

- Exploration
- Winery Leasehold

##### Geographical segments

The Group operates predominately in Australia.

Poseidon Nickel Limited  
Notes to the financial statements

5. Segment reporting (continued)  
Business segments

	Exploration		Winery Leasehold		Unallocated		Consolidated		Less Wine and Other Operations (Discontinued)		Continuing Operations	
<i>In thousands of AUD</i>	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Total external revenues	-	-	-	-	-	-	-	-	-	-	-	-
Intersegment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Segment result	(2,704)	(4,231)	-	(67)	(245,344)	(3,554)	(248,048)	(7,852)	-	303	(248,048)	(7,549)
Unallocated expenses							-	-	-	-	-	-
Results from operating activities							(248,048)	(7,852)	-	303	(248,048)	(7,549)
Net finance costs							(8,047)	306	-	-	(8,047)	306
Income tax expense							-	-	-	-	-	-
Loss for the period							(256,095)	(7,546)	-	303	(256,095)	(7,243)





## Poseidon Nickel Limited

### Notes to the financial statements

#### 6. Discontinued operation

In June 2008, the Group deregistered both of its subsidiaries included in the Winery Leasehold and Unallocated segments; the segments were not a discontinued operation or classified as held for sale as at 30 June 2007 and the comparative income statement has been re-presented to show the discontinued operation separately from continuing operations.

Profits attributable to the discontinued operation were as follows:

<i>In thousands of AUD</i>	<i>Note</i>	<b>2008</b>	<b>2007</b>
<b>Results of discontinued operation</b>			
Revenue		-	-
Expenses		-	(303)
Results from operating activities			(303)
			-
Income tax expense		-	-
Results from operating activities, net of income tax		-	(303)
Gain on sale of discontinued operation		-	-
			-
Income tax on gain on sale of discontinued operation		-	-
Profit (loss) for the period		-	(303)
Basic loss per share (cents/share)	19	-	(0.2)
Diluted loss per share (cents/share)	19	-	(0.2)
<b>Cash flows from discontinued operation</b>			
Net cash from operating activities		-	(100)
Net cash from investing activities		-	-
Net cash from financing activities		-	-
Net cash from (used in) discontinued operation		-	100
		-	-

There is no effect of the disposal on the financial position of the Group.

#### 7. Other Income

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Rent	34	29	34	29
Sundry income	11	1	11	1
Other income	202	228	215	228
Net gain on sale of exploration assets	-	64	-	64
Net gain on sale of investments	3	14	3	14
	250	336	262	336

#### 8. Personnel expenses

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Wages and salaries		978	335	978	335
Other associated personnel expenses		440	163	440	163
Increase in liability for annual leave	22	81	(30)	81	(30)
		1,499	468	1,499	468

# Poseidon Nickel Limited

## Notes to the financial statements

### 9. Finance income and expense

<i>In thousands of AUD</i>	Note	Consolidated		Company	
		2008	2007	2008	2007
Interest income on bank deposits		511	306	511	306
Interest income - other		6	-	6	-
Net gain on disposal of available-for-sale financial assets transferred from equity		182	-	182	-
Net foreign exchange gain		3	-	3	-
Finance income		702	306	702	306
Change in fair value of convertible note derivate	21	(8,718)	-	(8,718)	-
Interest expense - convertible note liability		(30)	-	(30)	-
Interest expense - other		(1)	-	(1)	-
Finance expense		(8,749)	-	(8,749)	-
Net finance income and expense		(8,047)	306	(8,047)	306

### 10. Income tax expense

#### Numerical reconciliation between tax-expense and pre-tax net profit

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Profit for the year	(256,095)	(7,546)	(256,083)	(7,768)
Total income tax expense	-	-	-	-
Profit excluding income tax	(256,095)	(7,546)	(256,083)	(7,768)
Income tax using the Company's domestic tax rate of 30% (2007: 30%)	(76,829)	(2,264)	(76,825)	(2,330)
Share based payments	72,753	396	72,753	396
Impairment of other financial assets	-	61	-	-
Non tax deductible expenses	62	2	62	2
Under (over) provided in prior periods	605	-	605	-
Losses written off on deregistration of subsidiaries	200	-	-	-
	(3,209)	(1,805)	(3,405)	(1,932)
Current year losses for which no deferred tax asset was recognised	3,209	1,805	3,405	1,932
	-	-	-	-

Poseidon Nickel Limited  
Notes to the financial statements

11. Property, plant and equipment

*In thousands of AUD*

**Cost or deemed cost**

	Leasehold improve- ments	Plant and equipment	Consolidated Plant and equipment - mining	Motor vehicles - mining	Total	Leasehold improve- ments	Plant and equipment	Company Plant and equipment - mining	Motor vehicles - mining	Total
Balance at 1 July 2006	-	81	-	-	81	-	81	-	-	81
Additions	-	17	261	146	424	-	17	261	146	424
Disposals	-	(55)	-	-	(55)	-	(55)	-	-	(55)
Balance at 30 June 2007	-	43	261	146	450	-	43	261	146	450
Balance at 1 July 2007	-	43	261	146	450	-	43	261	146	450
Additions	342	65	599	99	1,105	342	65	599	99	1,105
Transfers	608	30	-	-	638	608	30	-	-	638
Disposals	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2008	950	138	860	245	2,193	950	138	860	245	2,193

*In thousands of AUD*

**Depreciation and impairment losses**

	Leasehold improve- ments	Plant and equipment	Consolidated Plant and equipment - mining	Motor vehicles - mining	Total	Leasehold improve- ments	Plant and equipment	Company Plant and equipment - mining	Motor vehicles - mining	Total
Balance at 1 July 2006	-	25	-	-	25	-	25	-	-	25
Depreciation for the year	-	23	12	10	45	-	23	12	10	45
Disposals	-	(24)	-	-	(24)	-	(24)	-	-	(24)
Balance at 30 June 2007	-	24	12	10	46	-	24	12	10	46
Balance at 1 July 2007	-	24	12	10	46	-	24	12	10	46
Depreciation for the year	29	41	129	44	243	29	41	129	44	243
Disposals	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2008	29	65	141	54	289	29	65	141	54	289

Poseidon Nickel Limited  
Notes to the financial statements

11. Property, plant and equipment (continued)

Carrying amounts

*In thousands of AUD*

	Leasehold improve- ments	Plant and equipment	Consolidated Plant and equipment - mining	Motor vehicles - mining	Total	Leasehold improve- ments	Plant and equipment	Company Plant and equipment - mining	Motor vehicles - mining	Total
At 1 July 2006	-	56	-	-	56	-	56	-	-	56
At 30 June 2007	-	18	249	136	403	-	18	249	136	403
At 1 July 2007	-	18	249	136	403	-	18	249	136	403
At 30 June 2008	921	73	719	191	1,904	921	73	719	191	1,904

## Poseidon Nickel Limited

### Notes to the financial statements

#### 12. Exploration and evaluation expenditure

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Costs carried forward in respect of areas of interest in the following phase:				
Exploration and evaluation phase	31,975	17,301	31,975	17,301
<b>Reconciliations:</b>				
<b>Exploration and evaluation phase</b>				
Carrying amount at beginning of year	17,301	13,403	17,301	13,403
Additions	14,486	8,192	14,486	8,160
Rehabilitation asset	3,500	-	3,500	-
Exploration expenditure written off	(2,704)	(4,294)	(2,704)	(4,262)
Expenditure transferred to property, plant and equipment	(608)	-	(608)	-
	31,975	17,301	31,975	17,301

The ultimate recoupment of costs carried forward for exploration and evaluation is dependant on the successful development and commercial exploitation or sale of the respective areas.

#### 13. Other investments

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
<b>Non-current investments</b>				
Available-for-sale financial assets	-	311	-	311
	-	311	-	311

The shares held in Churchill Mining Ltd were sold on 21 February 2008 for \$262,000, realising a profit of \$182,000.

#### 14. Other non-current assets

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Security deposit - environmental bond	3,500	3,500	3,500	3,500
	3,500	3,500	3,500	3,500

The Company holds a cash collateralised security deposit of \$3,500,000 to cover the provision (see note 24) made in recognition of an on-going commitment to the environmental rehabilitation of the Windarra mine site.

# Poseidon Nickel Limited

## Notes to the financial statements

### 15. Deferred tax assets and liabilities

#### Unrecognised deferred tax assets and liabilities

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

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Taxable temporary differences	(3,753)	(1,304)	(3,753)	(1,304)
Deductible temporary differences	1,457	435	1,457	435
Tax losses	5,393	3,107	5,393	2,907
	<u>3,097</u>	<u>2,238</u>	<u>3,097</u>	<u>2,038</u>

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.

#### Recognised deferred tax assets and liabilities

There were no recognised deferred tax assets or liabilities during the year.

#### Movement in unrecognised deferred assets and liabilities during the year

	Balance 1 July 06	Additions	Balance 30 June 07	Additions	Balance 30 June 08
<b>Consolidated</b>					
Exploration and evaluation expenditure	(778)	(457)	(1,235)	(1,468)	(2,703)
Available-for-sale financial assets	(256)	187	(69)	69	-
Loans and borrowings	-	-	-	15	15
Other items	-	435	435	(43)	392
Tax loss carry-forwards	1,554	1,553	3,107	2,286	5,393
	<u>520</u>	<u>1,718</u>	<u>2,238</u>	<u>859</u>	<u>3,097</u>
<b>Company</b>					
Exploration and evaluation expenditure	(778)	(457)	(1,235)	(1,468)	(2,703)
Available-for-sale financial assets	(256)	187	(69)	69	-
Loans and borrowings	-	-	-	15	15
Other items	-	435	435	(43)	392
Tax loss carry-forwards	1,383	1,553	2,907	2,486	5,393
	<u>349</u>	<u>1,718</u>	<u>2,038</u>	<u>1,059</u>	<u>3,097</u>

Poseidon Nickel Limited  
Notes to the financial statements

16. Trade and other receivables

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
<b>Current</b>				
Trade receivables	-	23	-	23
Goods and services tax receivable	387	432	387	432
Fuel tax credits receivable	67	111	67	111
Loans to related parties	-	34	-	34
Loans to other entities	-	915	-	915
Other receivables	19	15	19	15
	473	1,530	473	1,530
<b>Non-current</b>				
Loans to controlled entities	-	-	-	1,204
Less: Provision for doubtful debts	-	-	-	(1,204)
	-	-	-	-

A further provision for doubtful debts of \$524,630 in respect of loans to controlled entities was recognised in 2007 due to the controlled entities being net asset deficient. The allowance for doubtful debts was removed during 2008 as the companies that the amounts were provided against were deregistered.

# Poseidon Nickel Limited

## Notes to the financial statements

### 17. Cash and cash equivalents

#### 17a. Cash and cash equivalents

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Bank balances	10,863	10,484	10,863	10,472
Call deposits	3,502	1	3,502	1
Cash and cash equivalents in the statement of cash flows	14,365	10,485	14,365	10,473

The effective interest rate on call deposits in 2008 was 7.85 percent (2007: 6.20 percent). The deposits had an average maturity of 30 days (2007: 182 days).

#### 17b. Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Cash flows from operating activities				
Profit for the period	(256,095)	(7,546)	(256,083)	(7,768)
Adjustments for:				
Depreciation	41	23	41	23
Impairment of other financial assets	-	203	-	-
Interest expenses - convertible note derivative	30	-	30	-
Change in fair value of convertible note derivative	8,718	-	8,718	-
Profit (loss) on sale of plant & equipment	(3)	3	(3)	3
Proceeds on sale of exploration assets	-	(64)	-	(64)
Profit on sale of investments	(182)	(14)	(182)	(14)
Exploration expenditure written off	2,704	4,295	2,704	4,262
Equity settled transactions	345	-	345	-
Equity-settled share-based payment transactions	242,511	1,320	242,511	1,320
Operating profit before changes in working capital and provisions	(1,931)	(1,780)	(1,919)	(2,238)
Change in trade and other receivables	58	(421)	46	(426)
Change in trade payables and employee benefits	(179)	668	(179)	1,192
Net cash from operating activities	(2,052)	(1,533)	(2,052)	(1,472)



## Poseidon Nickel Limited

### Notes to the financial statements

#### 18. Capital and reserves

##### Share capital

<i>In thousands of shares</i>	Company	
	Ordinary Shares	
	2008	2007
Ordinary shares		
Fully paid	297,091	217,566
Partly paid	11,555	25,567
On issue at 1 July	308,646	243,133
Exercise of share options	4,800	-
	313,446	243,133
Capital consolidation 2:1	(156,723)	-
	156,723	243,133
Issued for cash	6,000	38,982
Issued for services rendered	-	65
Issued for placement fee	-	116
Issued for directors fees	124	-
Issued for tenement acquisition	228	-
Exercise of share options	1	26,350
On issue at 30 June	163,076	308,646

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

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.

#### 19. Basic and diluted loss per share

The calculation of basic and diluted loss per share at 30 June 2008 was based on the loss attributable to ordinary shareholders of \$256,095,000 (2007: \$7,546,000) and a weighted average number of ordinary shares outstanding of 161,593,000 (2007: 247,144,000), calculated as follows:

##### Profit attributable to ordinary shareholders

<i>In thousands of AUD</i>	Consolidated					
	2008			2007		
	Continuing Operations	Discontinued operation	Total	Continuing Operations	Discontinued operation	Total
Net profit attributable to ordinary shareholders	(256,095)	-	(256,095)	(7,243)	(303)	(7,546)

##### Weighted average number of ordinary shares

<i>In thousands of shares</i>	Note	Consolidated	
		2008	2007
Issued ordinary shares at 1 July	18	154,323	121,567
Effect of shares issued		7,270	2,006
Weighted average number of ordinary shares at 30 June		161,593	123,573

On 2 July 2007, the Company had a 2 for 1 capital consolidation. Accordingly, the average weighted number of shares for 2007 has been adjusted for the consolidation to reflect a comparable basic and diluted loss per share for the 2007 comparative year.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 20. Loans and borrowings

This note provides information about the contractual terms of the Company's and Group's interest-bearing loans and borrowings. For more information about the Company's and Group's exposure to interest rate and foreign currency risk, see note 26.

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
<b>Current liabilities</b>				
Current portion of finance lease liabilities	62	19	62	19
Convertible note liability	6,443	-	6,443	-
	<b>6,505</b>	<b>19</b>	<b>6,505</b>	<b>19</b>
<b>Non-current liabilities</b>				
Finance lease liabilities	273	135	273	135
	<b>273</b>	<b>135</b>	<b>273</b>	<b>135</b>

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Currency	Nominal interest rate	Year of maturity	Consolidated		30 June 2007	
				30 June 2008		Face value	Carrying amount
				Face value	Carrying amount		
Convertible note liability	USD	5.00%	2014	15,629	6,443	-	-
Finance lease liabilities	AUD	10.21%	2012	427	335	197	154
Total interest-bearing liabilities				<b>16,056</b>	<b>6,778</b>	<b>197</b>	<b>154</b>

<i>In thousands of AUD</i>	Currency	Nominal interest rate	Year of maturity	Company		30 June 2007	
				30 June 2008		Face value	Carrying amount
				Face value	Carrying amount		
Convertible note liability	USD	5.00%	2014	15,629	6,443	-	-
Finance lease liabilities	AUD	10.21%	2012	427	335	197	154
Total interest-bearing liabilities				<b>16,056</b>	<b>6,778</b>	<b>197</b>	<b>154</b>

## Poseidon Nickel Limited

### Notes to the financial statements

#### 20. Loans and borrowings (continued)

##### Convertible notes

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Proceeds from issue of convertible notes	15,730	-	15,730	-
Transaction costs	(454)	-	(454)	-
Net proceeds	15,276	-	15,276	-
Amount classified as a convertible note derivative (Note 22)	(9,078)	-	(9,078)	-
Transaction costs allocated to the convertible note derivative	262	-	262	-
Exchange rate effects	(47)	-	(47)	-
Accreted interest capitalised	30	-	30	-
Carrying amount of liability at 30 June 2008	6,443	-	6,443	-

The Company issued 15,000,000 AU\$1.00 Convertible Notes for US\$15 million on 25 June 2008. The notes are convertible into ordinary shares of the Company at the option of the holder at anytime up to 25 June 2014 or repayable on 25 June 2014. The conversion rate is fixed at AU\$1.00. The instrument is interest free for the first three years and then bears a coupon rate of 5% thereafter until maturity.

##### Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

<i>In thousands of AUD</i>	Consolidated and Company					
	Minimum lease payments			Minimum lease payments		
	2008	Interest 2008	Principal 2008	2007	Interest 2007	Principal 2007
Less than one year	97	35	62	32	13	19
Between one and five years	330	57	273	165	30	135
More than five years	-	-	-	-	-	-
	427	92	335	197	43	154

The Company has entered into commercial hire purchase agreements on certain motor vehicles and equipment. These contracts have an average life of 5 years. There are no restrictions placed upon the lessee by entering into these contracts. Lease liabilities are secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 21. Convertible Note Derivative

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Allocated Proceeds from issue of convertible notes (note 20)	9,078	-	9,078	-
Transaction costs (note 20)	(262)	-	(262)	-
Net proceeds	8,816	-	8,816	-
Fair value movements	8,718	-	8,718	-
Exchange rate effects	(64)	-	(64)	-
Carrying amount of liability at 30 June 2008	17,470	-	17,470	-

As disclosed in note 20, the Company issued a convertible note for US\$15 million. Pursuant to accounting standards the option component is classified as a liability. The value of the derivative fluctuates with the Company's underlying share price and the difference in the Company's share price between initial recognition on 25 June 2008 (share price \$0.74) and 30 June 2008 (share price \$1.36) is reflected in the fair value movement.

#### 22. Employee benefits

<b>Current</b> <i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Liability for annual leave	86	5	86	5
Total employee benefits - current	86	5	86	5

## Poseidon Nickel Limited

### Notes to the financial statements

#### 23. Share-based payments

##### Options

The terms and conditions of the option grants are as follows; all options are to be settled by physical delivery of shares:

Grant date / employees entitled	Number of Instruments	Vesting conditions	Contractual life of the options
Options granted to executive directors and executives on 8 December 2005	7,000,000	Fully vested on date of issue	10 years
Options granted to non-executive directors on 2 July 2007	117,500,000	Subject to various share price hurdles that have been met	5 years
Options granted to executive on 2 July 2007	1,000,000	2 years' service and subject to various share price hurdles	4 years
Options granted to executive on 29 November 2007	277,000	3 years' service and subject to various share price hurdles	5 years
Options granted to executive on 30 November 2007	142,000	3 years' service and subject to various share price hurdles	5 years
Options granted to executive on 14 April 2008	114,000	3 years' service and subject to various share price hurdles	5 years
Total share options	<u>126,033,000</u>		

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2008	2008	2007	2007
Outstanding at 1 July	\$0.001	4,800,000	\$0.001	7,000,000
Exercised during the period	\$0.001	(4,800,000)	\$0.001	(2,200,000)
Granted during the period	\$0.418	119,033,000	-	-
Outstanding at 30 June	\$0.418	<u>119,033,000</u>	\$0.001	<u>4,800,000</u>
Exercisable at 30 June	\$0.400	<u>117,500,000</u>	\$0.001	<u>4,800,000</u>

The options outstanding at 30 June 2008 have an exercise price in the range of \$0.40 to \$1.96 and a weighted average remaining contractual life of 5 years.

The 117,500,000 options were granted to Mr A Forrest and Mr R Monti on 2 July 2007, at the time of joining the board. The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2008 was \$2.14 (2007: \$2.00).

The board can decide to grant options to a limited number of senior executives at its discretion under the ESOP (made in accordance with thresholds set in plans approved by shareholders at the 2007 AGM). The ESOP provides for key management personnel to receive up to 100% of compensation as an option package as a competitive incentive and retention mechanism. The ability to exercise the options is conditional on a number of conditions that include service based and share price performance hurdles to be met and must be exercised between 3 and 5 years of issue.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 23. Share-based payments (continued)

##### Options (continued)

The fair value of services received in return for share options granted is based on the fair value of share options granted, which is measured using a binomial lattice model with the following inputs:

	Directors 2008	Directors 2007	Executives 2008	Executives 2007
<i>Fair value of share options and assumptions</i>				
Fair value at grant date	\$1.97	-	\$0.76	-
Share price at grant date	\$2.14	-	\$1.05	-
Exercise price	\$0.41	-	\$1.41	-
Expected volatility (weighted average volatility)	100%	-	100%	-
Option life (expected weighted average life)	5.0 years	-	5.0 years	-
Expected dividends	-	-	-	-
Risk-free interest rate (based on government bonds)	6.27%	-	6.21%	-

##### Shares

The terms and conditions of share grants are as follows:

Grant date / employees entitled	Number of Instruments	Vesting conditions
Shares granted to executive directors on 2 July 2007	5,500,000	The shares vested immediately upon grant
Shares granted to executives and employees on 18 June 2008	313,132	The shares have a 3 year vesting period
Total shares	<u>5,813,132</u>	

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

	Weighted average purchase price	Number of shares	Weighted average purchase price	Number of shares
	2008	2008	2007	2007
Outstanding at 1 July	-	-	-	-
Forfeited during the period	-	-	-	-
Granted during the period	\$0.38	5,813,132	-	-
Outstanding at 30 June	\$0.38	<u>5,813,132</u>	-	<u>-</u>

The shares purchased as at 30 June 2008 have a purchase price in the range of nil to \$0.40.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 23. Share-based payments (continued)

##### *Shares (continued)*

The fair value of services received in return for shares granted is based on the fair value of shares granted, which is measured using the difference between the purchase price and the share price on the grant date. The inputs are as follows:

	Directors	Directors	Executives & Employees	Executives & Employees
	2008	2007	2008	2007
<i>Fair value of shares and assumptions</i>				
Fair value of grant	\$1.74	-	\$0.80	-
Share price at grant date	\$2.14	-	\$0.78	-
Purchase price received	\$0.40	-	-	-

##### *Hybrids*

The terms and conditions of hybrid grants are as follows:

Grant date / employees entitled	Number of Instruments	Vesting conditions
Hybrids granted to non-executive directors on 28 November 2007	36,883	The hybrids vested immediately upon grant
Hybrids granted to non-executive directors on 31 December 2007	32,094	The hybrids vested immediately upon grant
Hybrids granted to non-executive directors on 31 March 2008	55,325	The hybrids vested immediately upon grant
Hybrids granted to non-executive directors on 30 June 2008	42,154	The hybrids vested immediately upon grant
Hybrids granted to executive directors on 18 June 2008	351,563	The hybrids vested immediately upon grant
Hybrids granted to executives and employees on 18 June 2008	626,262	The hybrids vested immediately upon grant
Total shares	<u>1,144,281</u>	

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

	Weighted average purchase price	Number of hybrids	Weighted average purchase price	Number of hybrids
	2008	2008	2007	2007
Outstanding at 1 July	-	-	-	-
Forfeited during the period	-	-	-	-
Granted during the period	\$0.83	1,144,281	-	-
Outstanding at 30 June	<u>\$0.83</u>	<u>1,144,281</u>	-	-

The hybrids purchased as at 30 June 2008 have a purchase price in the range of \$0.7307 to \$1.2853.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 23. Share-based payments (continued)

##### Hybrids (continued)

The fair value of services received in return for hybrids granted is based on the fair value of hybrids granted, which is measured using the difference between the purchase price and the share price on the grant date. The inputs are as follows:

	Directors 2008	Directors 2007	Executives 2008	Executives 2007
<i>Fair value of hybrids and assumptions</i>				
Fair value of grant	\$1.19	-	\$0.80	-

#### Share based payment expense

In AUD	Consolidated		Company	
	2008	2007	2008	2007
Share options granted in 2006 – equity settled	-	1,320,304	-	1,320,304
Share options granted in 2008 – equity settled	232,353,656	-	232,353,656	-
Shares granted in 2008	9,572,215	-	9,572,215	-
Hybrids granted in 2008	584,740	-	584,740	-
Total expenses recognised as employee costs	242,510,611	1,320,304	242,510,611	1,320,304

#### 24. Provisions

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Site restoration	3,500	-	3,500	-
	3,500	-	3,500	-

A provision of \$3,500,000 was made during the year ended 30 June 2008 in respect of the Group's on-going obligation for the environmental rehabilitation of the Windarra mine site.

#### 25. Trade and other payables

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Trade payables	369	1,343	369	1,343
Other payables and accrued expenses	2,069	560	2,069	560
	2,438	1,903	2,438	1,903



# Poseidon Nickel Limited

## Notes to the financial statements

### 26. Financial risk management

#### Overview

The Group has 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 Audit and Risk Management Committee has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

#### 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 other third parties, overseas investments, banks and financial institutions. For the Company it arises from receivables due from subsidiaries and other third parties.

#### Investments, banks and financial institutions

The Group limits its exposure to credit risk by limiting transactions to only high credit quality financial institutions that have an external credit rating, set down by Standard and Poors (S&P), of at least AA and AAA category for long term investing and at least a short term rating of A-1 and A-1+. The Audit and Risk Management Committee monitor and make adjustments to individual portfolio's based upon current economic outlooks in order to maximise returns on the individual portfolios.

#### Trade and other receivables

As the Group operates in the mining explorer sector, the Group and Parent generally do not have trade receivables (only fuel tax and GST), therefore is not generally exposed to credit risk in relation to trade receivables. In 2007, the Group and Company had a loan due from one third party of \$915,000, however this was paid back to the Group during the 2008 financial year.

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the balance sheet date there are generally no significant concentrations of credit risk other than the transaction disclosed above.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 26. Financial risk management (continued)

##### Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Parent's maximum exposure to credit risk at the reporting date was:

<i>In thousands of AUD</i>	<b>Note</b>	<b>Carrying amount</b>	
		<b>2008</b>	<b>2007</b>
Cash and cash equivalents	17a	14,365	10,485
Other investments	13	-	311
Trade and other receivables	16	-	972

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

<i>In thousands of AUD</i>	<b>Note</b>	<b>Carrying amount</b>	
		<b>2008</b>	<b>2007</b>
Cash and cash equivalents	17a	14,365	10,473
Other investments	13	-	311
Trade and other receivables	16	-	972

##### Loans past due but not impaired

The Group had \$Nil (2007 \$915,000) that was past due but considered not to be impaired. As the Group is not trading there is no management of credit risk through performing an aging analysis as required by AASB 7, therefore an aging analysis has not been disclosed in relation to this class of financial instrument.

##### Impairment losses

The movement in the allowance for doubtful debts in relation to loans to controlled entities for the Company:

<i>In thousands of AUD</i>	<b>2008</b>	<b>2007</b>
Balance at 1 July	-	(679)
Impairment loss recognised	-	(524)
Impairment losses reversed during the year	-	-
Balance at 30 June	-	(1,204)

An impairment loss of \$524,630 in respect of loans to controlled entities was recognised in 2007 due to the controlled entities being net asset deficient. The allowance for doubtful debts was removed during 2008 as the companies that the amounts were provided against were deregistered.

##### 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, is that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company'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 where 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 or equity fundraising in order to manage its liquidity risk.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 26. Financial risk management (continued)

##### Liquidity risk (continued)

The following are the earliest contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

##### Consolidated and Company 30 June 2008

<i>In thousands of AUD</i>	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Finance lease liabilities	335	48	48	97	255	-
Trade and other payables	426	426	-	-	-	-
Convertible note liability	6,443	15,629	-	-	-	-
	7,204	16,103	48	97	255	-

##### Consolidated and Company 30 June 2007

<i>In thousands of AUD</i>	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Finance lease liabilities	154	15	15	31	131	-
Trade and other payables	1,909	1,909	-	-	-	-
	2,063	1,924	15	31	131	-

- The balances above will not agree to the financial statements as the cash-flows above are undiscounted;
- The only exceptions are trade and other payables, financial liabilities and the convertible note liability. The Group believes these positions to be a true reflection of what would be paid assuming the positions had to be paid out immediately. The contractual maturities of the convertible note and financial liabilities however, may be extended over significantly longer periods;
- The analysis assumes a worst case scenario if they were required to repay all financial liabilities early. The Group believes the likelihood of this as being extremely remote. As the maturity analysis assumes the earliest contractual maturity, no interest payments would be due, therefore these amounts have been excluded.

##### Market Risk

Market risk is the risk that fluctuations 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.

##### Currency risk

The Group is exposed to currency risk on investments, cash and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are United States dollars (USD) and United Kingdom pounds (UK pounds).

## Poseidon Nickel Limited

### Notes to the financial statements

#### 26. Financial risk management (continued)

##### Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

<i>In thousands of AUD</i>	30 June 2008		30 June 2007	
	USD	Total	UK Pounds	Total
Cash and cash equivalents	10,414	10,414	-	-
Other investments	-	-	311	311
Convertible note derivative	(17,470)	(17,470)	-	-
Convertible note liability	(6,443)	(6,443)	-	-
Gross balance sheet exposure	(13,499)	(13,499)	311	311

##### Sensitivity analysis

The following sensitivities have been applied for 2008:

- A 10% weakening of AUD against the USD with the equal effect in the opposite direction.

The following sensitivities have been applied for 2007:

- A 10% weakening of AUD against the UK pound with the equal effect in the opposite direction.

<i>In thousands of AUD</i>	Consolidated		Company	
	Equity	Profit or loss	Equity	Profit or loss
<b>30 June 2008</b>				
USD	-	(752)	-	(752)
<b>30 June 2007</b>				
UK Pounds	(31)	-	(31)	-

The opposite effects have not been shown, as it equates the opposite amounts shown above.

##### 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.

##### Profile

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

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
<b>Fixed rate instruments</b>				
Cash and cash equivalents	3,502	1	3,502	13
<i>In thousands of AUD</i>				
<b>Variable rate instruments</b>				
Cash and cash equivalents	10,863	10,471	10,863	10,471

## Poseidon Nickel Limited

### Notes to the financial statements

#### 26. Financial risk management (continued)

##### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points on average in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis for 2007 has assumed a 100 basis point change.

<i>In thousands of AUD</i>	Profit or loss	
	100 bp increase	100 bp decrease
<b>30 June 2008</b>		
Variable rate instruments (Cash and cash equivalents)	108	(108)
Cash flow sensitivity (net)	108	(108)

<i>In thousands of AUD</i>	Profit or loss	
	200bp increase	200bp decrease
<b>30 June 2008</b>		
Variable rate instruments (Convertible note derivative)	327	(327)
Cash flow sensitivity (net)	327	(327)

<i>In thousands of AUD</i>	Profit or loss	
	100bp increase	100bp decrease
<b>30 June 2007</b>		
Variable rate instruments	104	(104)
Cash flow sensitivity (net)	104	(104)

##### Equity price risk

The Group is exposed to equity price rate risk on the financial liabilities. The convertible note derivative fluctuates with the Company's underlying share price until either the convertible note is repaid by the Company, or the option holder converts. In 2007, the Company and Group was also exposed to equity price risk from overseas listed investments.

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.

##### Profile

At the reporting date, the equity price risk profile of the Company's and the Group's financial instruments was:

<i>In thousands of AUD</i>	Consolidated Carrying amount		Company Carrying amount	
	2008	2007	2008	2007
<b>Variable rate instruments</b>				
Financial assets	-	311	-	311
Convertible note derivative	17,470	-	17,470	-

## Poseidon Nickel Limited Notes to the financial statements

### 26. Financial risk management (continued)

#### Cash flow sensitivity analysis for variable rate instruments

##### 2007 Equity price risk

The 26% equity price risk change represents a reasonable possible change based upon historic movements in the share price.

##### 2008 Equity Price Risk

The Group and Company have used an equity price change of 100% upper and 64% lower representing a reasonable possible change. The upper values reflect the Company's historic share price volatility, whereas the 64% represents a predicted price based on the price floor over the last 3 years of trading.

*In thousands of AUD*

	Consolidated Carrying amount		Company Carrying amount	
	2008	2007	2008	2007
<b>Variable rate instruments</b>				
Convertible note derivative	17,470	-	17,470	-
	<u>17,470</u>	<u>-</u>	<u>17,470</u>	<u>-</u>

*In thousands of AUD*

##### 30 June 2008

	Profit or loss	
	100% increase	64% decrease
Variable rate instruments	(19,946)	11,457
Cash flow sensitivity (net)	<u>(19,946)</u>	<u>11,457</u>

*In thousands of AUD*

##### 30 June 2007

	Profit or loss	
	26% increase	26% decrease
Variable rate instruments	80	(80)
Cash flow sensitivity (net)	<u>80</u>	<u>(80)</u>

#### Fair values

##### Fair values versus carrying amounts

###### *Cash and cash equivalents*

The carrying amount is fair value due to the liquid nature of these assets.

###### *Other Receivables*

Due to the short-term nature of these financial rights, their carrying amounts are deemed to represent their fair values.

###### *Convertible Debt*

Due to the convertible notes being issued very close to the financial year end, it is deemed there has been no material change in the fair value of these instruments.

###### *Convertible Note Derivative*

The convertible note derivative liability has been recorded at its fair value, therefore there is no difference between fair value and carrying value.

## Poseidon Nickel Limited Notes to the financial statements

### 26. Financial risk management (continued)

#### Capital Management

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 encourages employees to be shareholders and has put in place a scheme whereby employees can convert their cash bonuses into shares. This ensures that an optimal cash balance can be maintained whilst ensuring strong employee retention.

The Group management defines net debt as total borrowings (note 20) less cash and cash equivalents (note 17) and equity as the sum of share capital, reserves and retained earnings (Note 18). The gearing ratio for 2007 and 2008 for both consolidated and parent was 0% due to the group and parent having excess cash balances over total borrowings.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### 27. Operating leases

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Less than one year	148	90	148	90
Between one and five years	296	-	296	-
More than five years	-	-	-	-
	444	90	444	90

The Group leases business office premises under non-cancellable operating leases expiring in 3 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

### 28. 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>	Consolidated		Company	
	2008	2007	2008	2007
Less than one year	154	203	154	203
Between one and five years	120	329	120	329
More than five years	-	-	-	-
	274	532	274	532

## Poseidon Nickel Limited

### Notes to the financial statements

#### 29. Related parties

The key management personnel compensation included in 'personnel expenses' (note 8) and 'share based payments' (note 23), is as follows:

In AUD	Consolidated		Company	
	2008	2007	2008	2007
Short-term employee benefits	1,440,191	507,639	1,440,191	507,639
Post-employment benefits	105,372	29,625	105,372	29,625
Share-based payments	242,773,940	1,244,856	242,773,940	1,244,856
	<u>244,319,503</u>	<u>1,782,119</u>	<u>244,319,503</u>	<u>1,782,119</u>

The remuneration report in section 7.4.2 of the Directors' report, includes an additional amount of share based payment for \$263,329 (2007: \$Nil) that has been capitalised as part of exploration expenditure.

#### Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation 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 on pages 14 to 24.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

#### Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties at any time in the reporting period, are as follows:

	Balance 1 July 2007 \$	Balance 30 June 2008 \$	Interest paid and payable in the reporting period \$	Highest balance in period \$
<b>2008</b>				
<b>Directors</b>				
Mr C Daws	28,275	-	-	28,275
Nimbus Mines	5,849	-	-	5,849

	Balance 1 July 2006 \$	Balance 30 June 2007 \$	Interest paid and payable in the reporting period \$	Highest balance in period \$
<b>2007</b>				
<b>Directors</b>				
Mr C Daws	322	28,275	-	28,275
Nimbus Mines	-	5,849	-	5,849

Interest free loans totalling \$Nil (2007: \$33,802) were made to key management personnel and their related parties during the year. The recipients of these loans were Mr C Daws and Nimbus Mines.

During the year, Mr C Daws and Nimbus Mines repaid \$34,124 (2007: Nil) of the balance outstanding on their loan.



## Poseidon Nickel Limited

### Notes to the financial statements

#### 29. Related parties (continued)

##### Loans to key management personnel and their related parties (continued)

##### Other key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the prior reporting period. The terms and conditions of the transactions with management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

<i>In AUD</i>	<b>Note</b>	<b>Transactions value year ended 30 June</b>		<b>Balance outstanding as at 30 June</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Key management person and their related parties</b>					
<b>Transaction</b>					
Mr R Monti - Ventnor Capital Pty Ltd	(i)	-	26,900	-	-
Mr C Indermaur - Brightstar Capital Pty Ltd	(ii)	-	60,000	-	-
Mr B Sceresini - Australian Mining Advisors Pty Ltd	(iii)	-	44,081	-	-

- (i) A director, Mr R Monti, is a director and shareholder of Ventnor Capital Pty Ltd, which provided consulting services to the Company since his appointment as director in April 2007 on normal commercial terms and conditions.
- (ii) A director, Mr C Indermaur, is a director of Brightstar Capital Pty Ltd, which provided consulting services to the Company prior to his appointment as director in July 2007 on normal commercial terms and conditions.
- (iii) A director, Mr B Sceresini, is a director and shareholder of Australian Mining Advisors Pty Ltd, which has provided metallurgical consulting services to the Company and certain of its subsidiaries for several years on normal commercial terms and conditions.

There were no amounts receivable from, or payable to, key management personnel and other related parties, arising from these transactions at the reporting date.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 29. Related parties (continued)

##### Options and rights over equity instruments

The movement during the reporting period in the number of options over 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 1 July 2007	Granted as compensation	Exercised	Other changes	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
<b>Directors</b>							
Mr A Forrest	-	115,000,000	-	(115,000,000)	-	115,000,000	115,000,000
Mr C Indermaur	-	-	-	-	-	-	-
Mr R Monti	-	2,500,000	-	(1,250,000)	1,250,000	2,500,000	2,500,000
Mr D Singleton	-	1,000,000	-	-	1,000,000	-	-
Mr G Brayshaw	-	-	-	-	-	-	-
Mr D Daws (resigned 2 July 2007)	2,200,000	-	(2,200,000)	-	-	-	-
Mr C Daws (resigned 2 July 2007)	2,200,000	-	(2,200,000)	-	-	-	-
<b>Executives</b>							
Mr R Dennis	-	277,000	-	-	277,000	-	-
Mr N Hutchison	-	142,000	-	-	142,000	-	-
Mr M Rodriguez	-	-	-	-	-	-	-
Mr G Jones	-	114,000	-	-	114,000	-	-

The options were granted to Mr A Forrest and Mr R Monti (Ventnor Capital) on 2 July 2007, at the time of joining the board. During the year, Mr A Forrest gifted 115,000,000 options to Leaping Joey Pty Ltd as trustee for The Australian Children's Trust and Mr R Monti gifted 1,250,000 options to associated individuals.

	Held at 1 July 2006	Granted as compensation	Exercised	Other changes	Held at 30 June 2007	Vested during the year	Vested and exercisable at 30 June 2007
<b>Directors</b>							
Mr D Daws	2,200,000	-	-	-	2,200,000	-	2,200,000
Mr C Daws	2,200,000	-	-	-	2,200,000	-	2,200,000
Mr R Monti	-	-	-	-	-	-	-
Mr P Landau (resigned 4 April 2007)	-	-	-	-	-	-	-
Mr B Sceresini (resigned 4 April 2007)	2,200,000	-	(2,200,000)	-	-	-	-
<b>Executives</b>							
Nil							

No options held by key management personnel are vested but not exercisable at 30 June 2008.

No options were held by key management person related parties.

## Poseidon Nickel Limited

### Notes to the financial statements

#### 29. Related parties (continued)

##### Movements in 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 1 July 2007	Granted as compensation	Received on exercise of options	Purchased, sales or donations	Held at 30 June 2008
<b>Directors</b>					
Mr A Forrest	-	5,000,000	-	-	5,000,000
Mr C Indermaur	-	-	-	-	-
Mr R Monti	-	500,000	-	(262,500)	237,500
Mr D Singleton	-	-	-	500,000	500,000
Mr G Brayshaw	-	-	-	-	-
Mr D Daws (resigned 2 July 2007)	50,000	-	2,200,000	-	-
Mr C Daws (resigned 2 July 2007)	11,228,994	-	2,200,000	-	-
<b>Executives</b>					
Mr R Dennis	-	110,246	-	-	110,246
Mr N Hutchison	2,500	62,500	-	-	65,000
Mr M Rodriguez	-	29,688	-	40,000	69,688
Mr G Jones	-	50,000	-	-	50,000

The shares were granted to Mr A Forrest and Mr R Monti on 2 July 2007, at the time of joining the board.

The shares granted to executives are in line with the Special Bonus Shares discussed in section 7.4.1 of the Directors' Report that vest over a 3 year period.

	Held at 1 July 2006	Granted as compensation	Received on exercise of options	Purchased, sales or donations	Held at 30 June 2007
<b>Directors</b>					
Mr D Daws	-	50,000	-	-	50,000
Mr C Daws	10,000,000	1,228,994	-	-	11,228,994
Mr R Monti	-	-	-	-	-
Mr P Landau (resigned 4 April 2007)	-	-	-	-	-
Mr B Sceresini (resigned 4 April 2007)	25,000	50,000	2,200,000	-	-
<b>Executives</b>					
Nil					

## Poseidon Nickel Limited

### Notes to the financial statements

#### 29. Related parties (continued)

##### Movements in hybrids

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

	Held at 1 July 2007	Granted as compensation	Received on exercise of options	Purchased, sales or donated	Held at 30 June 2008
<b>Directors</b>					
Mr A Forrest	-	40,946	-	(40,946)	-
Mr C Indermaur	-	69,210	-	-	69,210
Mr R Monti	-	56,300	-	-	56,300
Mr D Singleton	-	351,563	-	-	351,563
Mr G Brayshaw	-	-	-	-	-
<b>Executives</b>					
Mr R Dennis	-	220,491	-	-	220,491
Mr N Hutchison	-	125,000	-	-	125,000
Mr M Rodriguez	-	59,375	-	-	59,375
Mr G Jones	-	100,000	-	-	100,000

#### 30. Group entities

##### Significant subsidiaries

Parent entity	Country of incorporation	Ownership interest	
		2008	2007
<b>Significant subsidiaries</b>			
Wells Gold Corporation (International) Pty Ltd	Australia	-	100%
West Swan Wineries Pty Ltd	Australia	-	100%

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

## Poseidon Nickel Limited

### Notes to the financial statements

#### 31. Joint ventures

The Group has entered into the following joint venture arrangements:

Project	Activities	Equity Interest		Carrying Value	
		2008 %	2007 %	2008 \$	2007 \$
Menzies	Nickel	-	-	17,887	-
Waite Kauri	Nickel / Cobalt	-	-	-	-

The carrying value in the above joint ventures represents exploration expenditure and is included in the total of \$2,704,000 (2007: \$4,294,000) at note 12. This exploration has been accounted for in accordance with note 3(e).

The Company and Proto Resources ("Proto") have entered into a Heads of Agreement on 23 April 2008, to form a joint venture with the aim of defining and developing a mineable nickel resource at the Menzies Nickel project. The Company and Proto shall contribute equally to the joint venture and shall each finance their share into production. According to the Heads of Agreement, the Company will earn a right to 50% of the nickel. As at 30 June 2008, a total of \$17,887 has been incurred.

The Company and Eagle Eye Metal Limited ("Eagle Eye") have entered into a heads of agreement on 27 June 2008, to form a joint venture for the Waite Kauri Nickel/Cobalt project. The Company will earn the right to an 80% interest in the project and will fund the first \$500,000 of exploration work necessary to bring the resource to a JORC standard. In addition, the Company will have an offtake right to all of the nickel and cobalt from the tenements.

#### 32. Subsequent event

There has not arisen in the interval between the end of the financial year 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.

#### 33. Auditors' remuneration

<i>In AUD</i>	Consolidated		Company	
	2008	2007	2008	2007
Audit services Auditors of the Company				
<i>KPMG Australia:</i>				
Audit and review of financial reports	29,650	-	29,650	-
Other auditors				
Audit and review of financial reports	6,235	24,125	6,235	24,125
	35,885	24,125	35,885	24,125

No other services were provided by KPMG during the year.

## Poseidon Nickel Limited

### Directors' declaration

- 1 In the opinion of the directors of Poseidon Nickel Limited ("the Company"):
  - (a) the financial statements and notes and the remuneration disclosures that are contained in section 7.4 of the Remuneration report in the Directors' report, set out on pages 14 to 24, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their 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;
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);
  - (c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*; the Corporations Act 2001 and the Corporations Regulations 2001; and
  - (d) 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 financial controller for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors:



**Mr G Brayshaw**  
**Director**

Perth  
25<sup>th</sup> September 2008

Poseidon Nickel Limited  
 Independent audit report  
 For the year ended 30 June 2008



**Independent auditor's report to the members of Poseidon Nickel Limited**

**Report on the financial report**

We have audited the accompanying financial report of Poseidon Nickel Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 33 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Statement of independence*

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

*Auditor's opinion*

**In our opinion:**

Poseidon Nickel Limited  
Independent audit report  
For the year ended 30 June 2008



- (a) the financial report of Poseidon Nickel Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a).

**Report on the remuneration report**

We have audited the Remuneration Report included in paragraph 7.4 to 7.4.3 of the directors' report for the year ended 30 June 2008. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Poseidon Nickel Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to be 'B C Fullarton'.

B C Fullarton  
*Partner*

Perth  
25 September 2008



Poseidon Nickel Limited  
Auditor's independence declaration  
For the year ended 30 June 2008



**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 for the financial year ended 30 June 2008 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.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'B C Fullarton'.

B C Fullarton  
*Partner*

Perth  
25 September 2008

## 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 29 August 2008.

#### A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Class of equity security		
		Ordinary Shares	Options December 2009	Options December 2011
1 -	1000	2,407	6	5
1,001 -	5,000	3,012	30	21
5,001 -	10,000	1,000	20	13
10,001 -	100,000	1,351	68	60
100,001 and over		156	1	14
		<u>7,926</u>	<u>136</u>	<u>113</u>

There were 1,671 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
HSBC Custody Nominees (Australia) Limited – GSI ECSA	15,360,196	9.73%
Citicorp Nominees Pty Ltd	13,730,870	8.70%
HSBC Custody Nominees (Australia) Limited – A/c 3	6,204,499	3.93%
Mindaroo Pty Ltd Andrew & Nicola Forrest Family Investment A/c	5,000,000	3.17%
ANZ Nominees Limited Cash Income A/c	4,509,802	2.86%
Fortis Clearing Nominees P/L Settlement A/c	2,932,197	1.86%
ANZ Nominees Limited SL Cash Income A/c	2,736,524	1.73%
Wavenet International Limited	2,400,000	1.52%
NEPCO Nominees Pty Ltd	2,205,000	1.40%
J & F James Brothers Holdings Pty Ltd	1,900,000	1.20%
RBC Dexia Investor Services Australia Nominees Pty Ltd	1,774,905	1.12%
HSBC Custody Nominees (Australia) Limited	1,744,836	1.11%
Pine Valley Enterprises Pty Ltd	1,041,399	0.66%
MGG Capital Pty Ltd Webtel Management S/F A/c	1,037,181	0.66%
Mr David Singleton	1,000,000	0.63%
Mr Ian Barrie Murie R & L Porter Pty Ltd A/c	813,500	0.52%
Mr Bruno Sceresini	781,000	0.49%
Public Trustee IFTC Broking Services Ltd	750,000	0.48%
Tube-A-Cane Pty Ltd	701,570	0.45%
Mr Kah Ing Lau	660,000	0.42%
<b>TOTAL</b>	<b><u>67,283,479</u></b>	<b><u>42.63%</u></b>

Poseidon Nickel Limited  
ASX Additional information (continued)

**B. Equity security holders (continued)**

**Twenty largest quoted option holders**

The names of the twenty largest holders of quoted options are listed below:

<b>Name</b>	<b>December 2009 Options</b>	
	<b>Number held</b>	<b>Percentage of issued shares</b>
RBC Dexia Investor Services Australia Nominees Pty Limited MLCI A/c	1,275,370	20.71
Avon Management Co Pty Ltd - Diermajer Family S/F A/c	312,500	5.07
Mr Don Evans	275,000	4.47
Paraway Pty Ltd	275,000	4.47
Illawong Investments Pty Ltd - Cocks Family A/c	250,000	4.06
Mr Zygmund Wolski and Mrs Nola Wolski - The Wolski Super Fund A/c	250,000	4.06
Mr Josephus Verheggen - The Verheggen Super Fund A/c	193,750	3.15
Beachwalk Pty Ltd - Beachwalk A/c	173,684	2.82
Mr Simon Austerberry & Mrs Margot Austerberry - Helenback Executive S/F A/c	150,000	2.44
Tadea Pty Ltd - Richardson Family S/F A/c	140,000	2.27
Mr Kevin Griffin and Ms Jill Johnston - Manor Grove Staff S/F A/c	125,000	2.03
Professional Payment Services Pty Ltd Holding No 1 A/c	122,500	1.99
HSBC Custody Nominees (Australia) Limited	100,000	1.62
Geoviz Pty Ltd - Simon Brown Family A/c	95,000	1.54
GT Le Page Associates Pty Ltd Superannuation Fund	93,684	1.52
Sabre Power Pty Ltd	85,527	1.39
Mr Brian Thomas Ryan	80,500	1.31
Mr Robert Cull	80,000	1.30
Mr Darren Lee Sargeson and Mrs Barbara Yvonne Sargeson - Sargeson Super Fund A/c	73,223	1.19
Mr Sebastian Romeo - The Romeo Family A/c	64,000	1.04
<b>TOTAL</b>	<b>4,214,738</b>	<b>68.45%</b>

Poseidon Nickel Limited  
ASX Additional information (continued)

**B. Equity security holders (continued)**

**Twenty largest quoted option holders**

The names of the twenty largest holders of quoted options are listed below:

<b>Name</b>	<b>December 2011 Options</b>	
	<b>Number held</b>	<b>Percentage of issued shares</b>
RBC Dexia Investor Services Australia Nominees Pty Ltd MLCI A/c	1,062,070	17.25
Tadia Pty Ltd - Richardson Family S/F A/c	345,000	5.60
Avon Management Co Pty Ltd - Diemajer Family S/F A/c	312,500	5.08
Mr Don Evans	275,000	4.47
Illawong Investments Pty Ltd - Cocks Family A/c	250,000	4.06
Paraway Pty Ltd	250,000	4.06
Mr Zygmund Wolski and Mrs Nola Wolski - The Wolski Super Fund A/c	250,000	4.06
Mr Josephus Verheggen - The Verheggen Super Fund A/c	193,750	3.15
Petro Pty Ltd 1953 Super Fund A/c	167,434	2.72
Mr Simon Austerberry & Mrs Margot Austerberry - Helenback Executive S/F A/c	160,000	2.60
Geoviz Pty Ltd - Simon Brown Family A/c	146,560	2.38
Mr Kevin Griffin and Ms Jill Johnston - Manor Grove Staff S/F A/c	125,000	2.03
Kelray Properties Pty Ltd Super Fund A/c	124,350	2.02
Mr Robert Cull	106,000	1.72
Professional Payment Services Pty Ltd Holding No 1 A/c	100,000	1.62
Canonbar Investments Pty Ltd	98,500	1.60
GT Le Page Associates Pty Ltd Superannuation Fund	96,184	1.56
Mr John William Hayes and Mrs Lynette Sylvia Hayes - Hayes Super Fund A/c	90,742	1.47
Mr Brian Thomas Ryan	90,000	1.46
Sabre Power Pty Ltd	85,527	1.39
<b>TOTAL</b>	<b>4,328,617</b>	<b>70.30%</b>

## Poseidon Nickel Limited

### ASX Additional information (continued)

#### C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
<b>Ordinary shares</b>		
HSBC Custody Nominees (Australia) Limited	15,360,196	9.69%
Citicorp Nominees Pty Ltd	13,730,870	8.70%
<b>December 2009 options</b>		
RBC Dexia Investor Services Australia Nominees Pty Ltd MLCI A/c	1,275,370	20.71%
Avon Management Co Pty Ltd Diermajer Family S/F A/c	312,550	5.07%
<b>December 2011 options</b>		
RBC Dexia Investor Services Australia Nominees Pty Ltd MLCI A/c	1,062,570	17.25%
Tadia Pty Ltd Richardson Family S/F A/c	345,000	5.60%
Avon Management Co Pty Ltd Diermajer Family S/F A/c	312,500	5.08%

#### D. Unquoted equity security holders (as at 29 August 2008)

##### Options

Mr David Singleton holds 1,000,000 options representing 100% of the total number of July 2011 options on issue.

Greatcity Corporation Pty Ltd holds 1,250,000 options representing 50% of the total number of July 2012 options on issue.

Mr John Andrew Hannaford holds 625,000 options representing 25% of the total number of July 2012 options on issue.

Mrs Emma Kate Hannaford holds 625,000 options representing 25% of the total number of July 2012 options on issue.

Leaping Joey Pty Ltd ATF The Australian Children's Trust holds 115,000,000 options representing 100% of the total number of September 2012 options on issue.

##### Partly paid shares to \$0.002

Mr Martinus Coolen holds 4,966,700 partly paid shares to \$0.002 (\$0.10 to pay) representing 86.34% of the total number on issue.

#### A. 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)

#### E. Voting rights (continued)

##### Partly Paid shares

- (a) The Partly Paid shares shall be allotted and issued at an issue price of \$0.102 each and the holder will, at the allotment date, have paid \$0.002 for each Partly Paid share leaving \$0.10 payable.
- (b) Subject to the payment of any unpaid capital, the Partly Paid shares shall rank equally with, and have all the rights, benefits and obligations as existing shares.
- (c) The Company shall not make any call in respect of the unpaid capital owing on the Partly Paid shares until that date which is 36 months after the allotment date. Thereafter the Company will make calls on the unpaid capital owing on the Partly Paid shares at a rate of \$0.02 per Partly Paid share per annum pursuant to the timetable below:

##### Call

12 months after allotment	NIL
24 months after allotment	NIL
36 months after allotment	\$0.02
48 months after allotment	\$0.02
60 months after allotment	\$0.02
72 months after allotment	\$0.02
84 months after allotment	\$0.02

Calls on the Partly Paid shares made in accordance with the above terms will be conducted in accordance with the Company's constitution. Failure by a holder of Partly Paid shares to pay any call made in accordance with the above terms and the Company's constitution will result in the shares in respect to which the call was made to be liable for forfeiture. The Company's constitution deals with the procedure and liability of the shareholder should a share be forfeited.

- (d) The holder of Partly Paid shares may, at any time prior to a call being made by the Company to pay up any unpaid capital of the Partly Paid shares in accordance with clause (c), at its sole and absolute discretion, elect to pay up all of the unpaid capital.
- (e) As soon as practicable after receipt of payment of the outstanding amount owing on the Partly Paid shares, and as required by Chapter 2 of ASX Listing Rules, the company will apply for quotation on ASX for the Partly Paid shares that become fully paid.
- (f) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the Partly Paid shares shall be reorganised in accordance with the Listing Rules, the Company's Constitution and Corporations Act.
- (g) Holders of Partly Paid shares are entitled to receive notice of, attend and vote at shareholders meetings. Resolutions of shareholders will be decided by a show of hands unless a poll is demanded. On a show of hands each holder of a Partly Paid share present in person or by proxy has one vote. On a poll, each holder of a Partly Paid share present in person or by proxy has a fraction of a vote for each Partly Paid share determined by the amount paid up on that share.

The rights attaching to Partly Paid shares (including dividend rights), other than those listed above, shall be consistent, notwithstanding any differences in the amounts that the shares are paid up to, with shares in the Company.

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>Poseidon Nickel Limited</b>		
<b>Western Australia</b>		
- Pool Well	PL 38/3196, PL 38/3197, PL 38/3198	100%
- Pool Well (continued)	M 38/1243, M 38/1244, M 38/1245	100%
- Windarra Nickel Assets	MSA 38/261, G 38/21, L 38/184	100%
- Windarra South	L 38/118, L 38/119, L 38/121, L 38/122	100%
- Woodline Well	PL 39/4493, PL 39/4494, PL 39/4495	100%
- The Boats	E 38/2060	100%
- Target Mineral Exploration	E 38/1450, E 39/930	100%
- Rita Brooks	E 38/1587	100%
- Baracus	E 38/1622	100%
- Dynasty Metals	E 38/1752, PL 38/3272, PL 38/3273, PL 38/3274	100%
- Tyson Resources	E 38/1325, E 39/1325	100% (in application)
- Cement Well	E 39/1326	100% (in application)
- Randwick	E 38/986 – 989	100% (in application)

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