



# POSEIDON

N I C K E L

**POSEIDON NICKEL LIMITED**

ABN 60 060 525 206

**Annual Financial Report**  
**For the year ended 30 June 2021**

# Poseidon Nickel Limited

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# Poseidon Nickel Limited

## Corporate directory

ABN: 60 060 525 206  
Incorporated in Australia

### **Non-Executive Directors**

Mr D La Ferla  
Ms F Gooding  
Mr D Hildebrand  
Mr P Muccilli

### **Managing Director & CEO**

Mr P Harold

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

Ms A Betti  
Mr B Shalders

### **Registered Office**

Level 1  
3 Ord Street  
West Perth WA 6005

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Email: [admin@poseidon-nickel.com.au](mailto:admin@poseidon-nickel.com.au)  
Telephone: +61 8 6167 6600  
Facsimile: +61 8 6167 6649

### **Postal Address**

PO Box 190  
West Perth WA 6872

### **Auditors to the Company**

KPMG  
Chartered Accountants  
235 St Georges Terrace  
Perth WA 6000

### **Share Registry**

Automic  
Level 2, 267 St Georges 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 2021**

The directors present their report together with the financial statements of Poseidon Nickel Limited ("the Company") and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2021 and the auditor's report thereon.

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Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2021

1. **Directors**

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

| <b>Name, and independence status</b>   | <b>Experience, qualifications, special responsibilities and other directorships</b>   |
|--|---|
| <p><b>Mr Derek La Ferla</b><br/> <b>Independent Non-Executive Chairman</b><br/> <i>Member of:</i><br/>           Audit &amp; Risk Management Committee<br/> <i>Chairman of:</i><br/>           Remuneration, Nomination &amp; Diversity Committee</p> <p>Appointed 1 December 2019</p> | <p>Mr La Ferla is a corporate lawyer and company director with more than 30 years' experience. He has held senior leadership positions with some of Australia's leading law firms and a variety of board positions with listed public companies and not for profit organisations.</p> <p>Mr La Ferla is a fellow of the Australian Institute of Company Directors and the WA Division Director on the AICD National Board and a member of the AICD Council (WA Division).</p> <p>Mr La Ferla is currently a director of ASX-listed company Sandfire Resources Ltd. During the previous three years he has served as a director for Veris Ltd (October 2011 to November 2019), Threat Protect Australia Ltd (September 2015 to September 2021) and BNK Banking Corporation Ltd (November 2015 to August 2019).</p>   |
| <p><b>Mr Peter Harold</b><br/> <b>Managing Director &amp; CEO</b><br/> <i>Member of:</i><br/>           Audit &amp; Risk Management Committee and Remuneration, Nomination &amp; Diversity Committee</p> <p>Appointed 3 March 2020</p>   | <p>Mr Harold is a process engineer with over 30 years' corporate experience in the minerals industry, specialising in financing, marketing, business development and general corporate activities.</p> <p>Mr Harold was previously the Managing Director of Panoramic Resources where he co-founded the company.</p> <p>Mr Harold has extensive experience in base metal mining project feasibility studies, financings, developments, operations and marketing.</p> <p>Mr Harold is currently the non-executive chairman of ASX listed company Ocean Grown Abalone Ltd and during the previous three years has served as a director of Panoramic Resources Ltd (March 2001 to November 2019), Pacifico Minerals Ltd (August 2013 to April 2020) and Horizon Gold Ltd (August 2016 to November 2019).</p>   |
| <p><b>Ms Felicity Gooding</b><br/> <b>Non-Executive Director</b><br/> <i>Member of:</i><br/>           Remuneration, Nomination &amp; Diversity Committee<br/> <i>Chairman of:</i><br/>           Audit &amp; Risk Management Committee</p> <p>Appointed 1 October 2018</p>            | <p>Ms Gooding is the Deputy Chief Executive Officer of the Munderoo Foundation and was previously the Chief Financial Officer and Chief Operating Officer of the Munderoo Group.</p> <p>A Fellow of the Institute of Chartered Accountants, Ms Gooding has experience specialising in due diligence, mergers and acquisitions, and equity and debt financing across various sectors in Washington DC, Singapore and London.</p> <p>Ms Gooding has held senior positions at PwC, Diageo Plc and Fortescue Metals Group Ltd where she was instrumental in the raising of more than A\$5 billion for project expansion financing. Prior to joining Munderoo Ms Gooding was an executive at potash development company, Sirius Minerals Plc.</p> <p>During the past three years, Ms Gooding has not served as a director of any other ASX listed company.</p> |

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2021

1. Directors (continued)

| Name, and independence status  | Experience, qualifications, special responsibilities and other directorships  |
|--|---|
| <p><b>Mr Dean Hildebrand</b><br/> <b>Non-Executive Director</b></p> <p><i>Member of:</i><br/>           Audit &amp; Risk Management Committee and Remuneration, Nomination &amp; Diversity Committee</p> <p>Appointed 1 July 2020</p>              | <p>Mr Hildebrand is a corporate finance professional with experience in capital markets, mergers and acquisitions transactions and project financing in the natural resources sectors.</p> <p>Mr Hildebrand is a director of Black Mountain Metals Pty Ltd and also the Chief Financial Officer of Black Mountain's international mining and oil &amp; gas companies.</p> <p>Mr Hildebrand has a Bachelor of Commerce from the University of Western Australia.</p> <p>During the past three years, Mr Hildebrand has not served as a director of any other ASX listed company.</p>   |
| <p><b>Mr Peter Muccilli</b><br/> <b>Independent Non-Executive Director</b></p> <p><i>Member of:</i><br/>           Audit &amp; Risk Management Committee and Remuneration, Nomination &amp; Diversity Committee</p> <p>Appointed 3 August 2020</p> | <p>Mr Muccilli is a qualified geologist with over 30 years' experience in the resource sector, including a variety of operational, exploration and development roles with a particular focus on nickel, gold and other base metals.</p> <p>Mr Muccilli previously held key executive roles at Mincor Resources Ltd and over this 15-year period commencing in 2004, included significant nickel exploration successes and production outcomes.</p> <p>Mr Muccilli is currently the Technical Director of ASX listed company Constellation Resources Ltd and during the previous three years has served as Managing Director of Mincor Resources NL (November 2016 to January 2019).</p> |

2. Company Secretary (Joint)

Mr Brendan Shalders was appointed Joint Company Secretary effective from 9 September 2019. Mr Shalders is a Chartered Accountant having held senior roles in both advisory and corporate settings. He has experience in corporate finance, accounting, risk management and business development, predominately within the mining and mining services industries.

Ms Andrea Betti was appointed Joint Company Secretary effective from 4 November 2019. Ms Betti is an accounting and corporate governance professional with over 20 years' experience in accounting, corporate governance, finance and corporate banking. Ms Betti is a Chartered Accountant and an associate member of the Governance Institute of Australia.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2021

### 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, Nomination and Diversity Committee Meetings |   |
|-----------------|-----------------|----|--|---|---|---|
|                 | A               | B  | A  | B | A   | B |
| Mr D La Ferla   | 11              | 11 | 2  | 2 | 2   | 2 |
| Mr P Harold     | 11              | 11 | -  | - | -   | - |
| Ms F Gooding    | 11              | 11 | 2  | 2 | 1   | 2 |
| Mr D Hildebrand | 11              | 11 | 2  | 2 | 2   | 2 |
| Mr P Muccilli   | 10              | 10 | 2  | 2 | 2   | 2 |

A – Number of meetings attended

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

\* – Corporate Governance is an integral part of the Board meeting

### 4. Principal Activities

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

### 5. Consolidated Results

The consolidated loss for the Group for the year ended 30 June 2021, after income tax is \$10,933,000 (2020: \$12,852,000).

### 6. Operating and Financial Review

#### Overview

Poseidon Nickel Limited ("Poseidon" or "the Company") is an ASX listed company focussed on developing its nickel assets in Western Australia. The Company has combined nickel resources approaching 400,000 tonnes, two nickel sulphide concentrators and six historic mines across three sites, all located within a 300km radius from Kalgoorlie in the Goldfields region of Western Australia. All three sites remained on care and maintenance ("C&M") over FY2021.

Poseidon's key deliverables are to (1) increase our nickel resource base (2) improve the average nickel grade of our resource base (3) bring one or more of our nickel projects into production and (4) monetise the Windarra Gold Tailings Project. The Company's strategy has been to accumulate nickel assets, economically maintain the assets in good standing and wait for a sustained recovery in the nickel price. Poseidon has gathered a suite of projects which are strategically located and offer near term production opportunities subject to a nickel price level which provides acceptable economic returns.

More recently the Company has focussed on identifying new high-grade nickel ore sources to improve project economics and monetise the Windarra Gold Tailings Project. During the year the recently discovered Golden Swan mineralised zone was drilled to explore the potential for a further high grade ore source at Black Swan. Concurrently the Company progressed the Windarra Gold Tailings Project Definitive Feasibility Study ("DFS") to completion at year end demonstrating robust economics.

During first half FY2021, Dean Hildebrand and Peter Muccilli were appointed Non-Executive Directors following the retirement of Karl Paganin and Geoff Brayshaw.

Over the period the Company raised \$9.5 million (net of costs) through a private placement managed by Morgans Corporate Limited. These funds were used to accelerate high-grade nickel sulphide exploration at Black Swan and completion of the Golden Swan drill drive.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2021

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

**COVID-19 Response**

There were no instances of COVID-19 reported across the Poseidon business during FY2021. The Company and its contractors continue to operate within the safe operating parameters as per the Western Australian Government requirements.

**Climate change**

The current and future activities of the Group may be affected by factors such as seasonal and unexpected weather patterns, heavy rain, floods, droughts and other weather conditions. The Groups financial performance and operations may be adversely impacted by these factors.

Changes to climate related regulations and government policy have the potential to impact our financial results, which could include imposition of carbon taxes or constraints on emissions.

**Black Swan**

The Black Swan Nickel Project is located 55km north-east of Kalgoorlie. Acquired from Norilsk in March 2015, the operations include the Silver Swan underground mine, Black Swan open pit, a 2.2Mtpa nickel sulphide concentrator and associated infrastructure. Black Swan has combined resources of 195kt contained nickel and 28.3kt contained nickel in reserves. The operations at Black Swan remained on care and maintenance during the year.

*Golden Swan and Southern Terrace Exploration*

The company made significant progress defining the Golden Swan discovery over the year. Following the successful exploration program in second half FY2020 and early FY2021, the construction of the 465-metre Golden Swan drill drive commenced in December 2020 to provide a platform and optimal positioning for resource drilling to take place. The drive was completed safely and without incident in late April 2021. The drill drive included the establishment of two dedicated drill positions to facilitate resource definition drilling of the Golden Swan mineralisation.

Resource drilling commenced from the drive position late April 2021 and was completed during July 2021 ahead of schedule for a total of 60 holes and 15,968 metres drilled. Drilling to date indicates a well-developed, competent felsic footwall unit that has resulted in high advance rates. As at release of these financial statements, the Company has received all assays for the Golden Swan resource drilling with a maiden resource expected to be finalised by end of September 2021.

*Black Swan Scoping Study*

GR Engineering Services ("GRES") was commissioned to provide a scoping study on the expected capital and operating expenditure of a restart of the Black Swan processing plant. Two processing plant configurations were considered which were (a) 150ktpa Silver Swan circuit for treating high grade sulphide ore and (b) 1.1 Mtpa Black Swan circuit for treating lower grade open pit disseminated ore and potentially ore from Windarra.

The key findings of the study are as follows:

- Black Swan ore processing circuits can be refurbished for a relatively low capital cost of \$13.4-15.9 million for the 150ktpa circuit or \$22.1 million for the 1.1Mtpa circuit.
- Both options would take about six months to refurbish.
- The operating cost estimate for the 150ktpa circuit is \$79.09-91.60/tonne and \$29.39/tonne for the 1.1Mtpa circuit.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2021

## 6. Operating and Financial Review (continued)

### Black Swan (continued)

Following the GRES scoping study, next steps include delivering a maiden Golden Swan resource and converting this resource to a reserve, completing a resource drilling program at Silver Swan with an aim to grow the indicated resource and complete the DFS on the commencement of mining and processing at Black Swan. In addition to the high-grade underground ore, the DFS will also consider mining and processing the Black Swan disseminated orebody via the open pit.

### Windarra Nickel

The Windarra Nickel Project is located in the Mt Margaret Goldfields of Western Australia and is situated about 25km west of Laverton. The site includes the previously mined underground Mt Windarra and open pit South Windarra mines. The project has combined resources of 148.5kt contained nickel across the Mt Windarra (71.5kt) and Cerberus (69kt) deposits. The Windarra Nickel Project remains on care and maintenance.

The process to terminate the Poseidon Nickel Agreement Act has progressed with the Company working alongside the Department of Jobs, Tourism, Science and Innovation to finalise the termination documents. The documents have now been signed with the termination expected over the first half of FY22.

### Windarra Gold Tailings

Following the completion of the pre-feasibility study in 2020, a Definitive Feasibility Study ("DFS") was commissioned to expand on these findings.

The DFS was prepared with assistance from several well recognised and independent mining consultants and contractors and incorporated the Lancefield Gold Tailings. The findings from the DFS highlighted a robust project with the following results:

- Windarra Gold Tailings could produce approximately 53.5-55.2koz gold, subject to mining method, over a 45-month period, utilising low-cost, low-risk tailings mining methods and a conventional 1.5Mtpa modular designed processing facility.
- Feasibility Study Base case utilising dredging mining returns the following economic outcomes:
  - Net operating cashflow of \$30.6M, Net Present Value (NPV8) of \$21.7M and IRR of 50.6%, assuming gold price of US\$1,750/oz and exchange rate of A\$1.00 = US\$0.75.
  - Application of the Residual Value assessment improves net operating cashflow to \$36.3M, NPV8 to \$25.7M and IRR to 53.9%.
  - All in sustaining cost (AISC) for the Project is A\$1,393/oz.
- Modest development capital cost of \$25.8-\$29.5M, subject to the mining method selected with a payback of 27-28 months from start of construction.
- Ministerial approval received for the annual renewal of the Lancefield Licence to Treat tenure.

The DFS key recommendation is to engage a Joint Venture partner who has demonstrated engineering design and construction expertise and the capability to manage the project during the operations phase. A process to monetise the Project by either divestment or Joint Venture partner is underway.

### Lake Johnston

The Lake Johnston mine and processing facilities are situated 117km west of Norseman, accessed via the Hyden-Norseman road. Acquired from Norilsk in November 2014, the operations include the Maggie Hays underground mine and 1.5mtpa nickel sulphide concentrator. The project has a resource of 52kt contained nickel in the Maggie Hays deposit.

In 2015, Poseidon interpreted a twice-faulted-off extension to the Emily Ann massive sulphide deposit to the north and confirmed a continuation of mineralisation, being the Abi Rose deposit. Diamond drilling completed late 2018 pierced the deposit several times with the best intersection 10.48m @ 3.2% nickel.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2021

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

**Lake Johnston (continued)**

During the year the Company engaged a consultant to undertake an exploration target review of Lake Johnston and continues to explore strategic options to progress this project.

The operations at Lake Johnston remained on care and maintenance during the year.

**Nickel Market**

The key drivers of nickel market demand remain:

- Sustained growth in stainless steel demand; and
- Development and growth of the electric vehicle ("EV") market.



The nickel market reached a low point of the cycle in early 2016 which continued through 2017. The market commenced a moderate recovery in the second half of 2017, however declined again from mid-2018 until showing signs of recovery in early 2019 which has continued, peaking at US\$8.90/lb in February 2021. Since then, the price has remained strong driven by covid related economic stimulus in many of the world's major economies resulting in strong demand from stainless steel producers and the EV market.

LME stockpiles closed 30 June 2021 at 232kt, marginally down from 234kt at 30 June 2020.

Moving forward, analysts are predicting an uplift in overall nickel consumption as demand for stainless steel increases and the EV market continues to grow, particularly in Europe, the USA and China. This is expected to see nickel prices hold at current levels in the near term, with market dynamics placing upward pressure on nickel pricing moving forward.

Poseidon Nickel Limited  
Directors' report (continued)  
For the year ended 30 June 2021

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

**Financial Position**

For the year ended 30 June 2021 the Group recorded a loss of \$10,933,000 (2020: \$12,852,000) that includes the interest of the convertible note liability, depreciation and share based payment expense which are all non-cash items. If these items are excluded, the underlying loss for the Group for the year is \$9,443,000 (2020: \$11,012,000). The working capital surplus as at 30 June 2021 is \$2,447,000 (2020: surplus \$15,729,000). The primary liabilities of the Group consist of a current provision for environmental rehabilitation of \$3,500,000 that is cash backed (non-current asset) (2020: \$3,500,000) together with further site rehabilitation provisions of \$57,919,000 (2020: \$48,235,000). The Directors do not anticipate the Group being required to remediate its sites in the foreseeable future. The further site rehabilitation provisions are classified as non-current and included within total net assets of \$60,129,000 (2020: \$61,271,000). Last year's liabilities also included the convertible note of \$24,716,000 which was repaid in August 2020.

The Group had a net cash outflow from operating activities of \$9,492,000 (2020: \$9,981,000) and a net cash outflow from investing activities of \$11,892,000 (2020: inflow \$31,738,000). Operating cash outflow reflects ongoing exploration and evaluation and care and maintenance activities across the three operations of Black Swan, Lake Johnston and Windarra. Investing cash outflow reflects payments on exploration and evaluation activities and property, plant and equipment.

On 31 August 2020, the Company repaid the US\$17.5 million convertible note, prior to its maturity on 30 September 2020, presenting an interest saving to the Company. Note holders, Black Mountain Metals ("BMM"), agreed to waive interest in lieu of early repayment of principal prior to maturity. All other terms of the convertible note remained in place until maturity.

In December 2020, the Company raised \$9.5 million (after costs) through a private placement (the "Placement") of ordinary shares in Poseidon to clients of Morgans Corporate Limited, which acted as sole lead manager of the Placement.

The Group held cash and cash equivalents of \$7,903,000 at 30 June 2021 (2020: \$45,236,000).

**Poseidon Nickel Limited**  
**Directors' report (continued)**  
**For the year ended 30 June 2021**

**7. Remuneration report – audited**

**7.1 Principles of compensation**

The Company recognises that it operates in a global environment and to prosper in such an environment, it must attract, motivate and retain personnel of the highest calibre. The objective of the Company's executive remuneration framework is to ensure that:

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

The Company aims to structure an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. Remuneration packages include a mix of fixed and 'at risk' remuneration and is comprised of:

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

**Total fixed remuneration**

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

For the year ending 30 June 2021, TFR for Mr Harold was \$547,500 per annum and for Mr Shalders was \$301,125 per annum. There is no guaranteed TFR increase included in any executive contracts.

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

The revised Incentive Performance Rights and Options Plan (Plan) was approved by shareholders at the 2020 Annual General Meeting. The objective of the Plan is to attract, motivate and retain key employees and the Company considers that the adoption of the Plan and the future issue of Performance Rights or options under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

The revised Plan replaced the previous Plan that was suspended effective from 1 July 2017.

**Short-Term Incentive**

Under the STI program, eligible participants, executives and employees are provided the opportunity to receive a cash bonus or Performance Rights for achievement of short-term Company goals. The STI plan will seek to provide short-term benefits on achievement of individual and Company key performance indicators ("KPIs") over a 12-month period. Challenging KPIs will be set to ensure payments are comparable to the performance of participating employees.

The assessment of the KPIs and the award of any STI are all at Board discretion – refer to 7.5 for KPIs.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2021

**7. Remuneration report – audited**

**7.1 Principles of compensation (continued)**

**Long-Term Incentive**

Under the LTI program, eligible participants, executives and employees are provided the opportunity to receive Performance Rights for achievement of long-term Company goals. The LTI plan will seek to provide long-term benefits on achievement of individual and Company key performance indicators (“KPIs”) over a 24-month period. Challenging KPIs will be set to ensure payments are comparable to the performance of participating employees.

The assessment of the KPIs and the award of any LTI are all at Board discretion – refer to 7.3 for KPIs.

**Share trading policy**

The trading of shares issued to eligible participants under any of the Company's employee equity plans is subject to and conditional on compliance with the Company's share trading policy detailed in the Corporate Governance Statement.

**Service contracts**

It is the Company's policy that service contracts for KMPs are open common law employment contracts, unlimited in term but capable of termination with between one and three months' notice, depending on the specific contract terms. The Company retains the right to terminate the contract immediately, by making payment equal to between one and three months' pay in lieu of notice. The KMPs are entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave together with any superannuation benefits. Each KMP accrues 4 weeks of annual leave entitlements per year (Mr Harold is entitled to 5 weeks of annual leave entitlements per year) and 13 weeks of long service leave entitlements for every 10 years of service.

The service contract outlines the components of remuneration paid to the KMP but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year by the Remuneration, Nomination and Diversity Committee and take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy. There is no guaranteed base pay increases included in any executives' contracts

**Non-executive directors**

Total remuneration for all non-executive directors, last voted upon by shareholders at the 15 July 2019 General Meeting, is not to exceed \$650,000 per annum and has been determined after reviewing similar companies listed on the ASX and considered to be in line with corporate remuneration of similar companies.

The non-executive directors receive an annual base fee of \$53,888 (except for the chairman who receives a base fee of \$140,000) to cover the main board activities. Non-executive directors receive an additional fee of \$5,100 for each additional committee of which they are a member. Non-executive director members who chair a committee receive a further additional fee of \$10,000 for each committee chaired.

**Executives**

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

| Name & job title                          | Base salary | Super-annuation   | Contract duration | Notice period | Termination provision       |
|---|-------------|-------------------|-------------------|---------------|-----------------------------|
| P Harold, Managing Director/ CEO          | \$500,000   | 9.5% <sup>1</sup> | No fixed term     | 3 months      | 3-month termination payment |
| B Shalders, CFO / Joint Company Secretary | \$275,000   | 9.5% <sup>1</sup> | No fixed term     | 3 months      | 3-month termination payment |

<sup>1</sup> From 1 July 2021 has increased to 10%

Poseidon Nickel Limited  
Directors' report (continued)

For the year ended 30 June 2021

7. Remuneration report – audited (continued)

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

| In AUD  |   | Short-term              |                 | Post employment               | Share-based payments |                              | Other long-term benefits<br>\$ (d) | Total<br>\$ | Proportion of remuneration performance related |     |
|---|---|-------------------------|-----------------|-------------------------------|----------------------|------------------------------|------------------------------------|-------------|--|-----|
|   |   | Salary & fees<br>\$ (a) | Bonus<br>\$ (b) | Superannuation benefits<br>\$ | Options<br>\$        | Performance rights<br>\$ (c) |                                    |             |  |     |
| <b>Directors</b>                                    |   |                         |                 |                               |                      |                              |                                    |             |  |     |
| <b>Non-executive directors</b>                      |   |                         |                 |                               |                      |                              |                                    |             |  |     |
|   | Mr D La Ferla (Chairman) <sup>1</sup>           | 2021                    | 149,975         | -                             | 3,325                | 40,307                       | -                                  | -           | 193,607  | 0%  |
|   |   | 2020                    | 81,667          | -                             | 7,758                | 7,229                        | -                                  | -           | 96,654   | 0%  |
|   | Ms F Gooding                                    | 2021                    | 74,088          | -                             | -                    | -                            | -                                  | -           | 74,088   | 0%  |
|   |   | 2020                    | 74,088          | -                             | -                    | -                            | -                                  | -           | 74,088   | 0%  |
|   | Mr D Hildebrand <sup>1</sup>                    | 2021                    | 64,088          | -                             | -                    | -                            | -                                  | -           | 64,088   | 0%  |
|   |   | 2020                    | -               | -                             | -                    | -                            | -                                  | -           | -  | 0%  |
|   | Mr P Muccilli <sup>1</sup>                      | 2021                    | 76,457          | -                             | 5,182                | -                            | -                                  | -           | 81,639   | 0%  |
|   |   | 2020                    | -               | -                             | -                    | -                            | -                                  | -           | -  | 0%  |
|   | Mr G Brayshaw <sup>2</sup>                      | 2021                    | -               | -                             | -                    | -                            | -                                  | -           | -  | 0%  |
|   |   | 2020                    | 77,781          | -                             | 7,389                | -                            | -                                  | -           | 85,170   | 0%  |
|   | Mr K Paganin <sup>2</sup>                       | 2021                    | -               | -                             | -                    | -                            | -                                  | -           | -  | 0%  |
|   |   | 2020                    | 74,088          | -                             | -                    | -                            | -                                  | -           | 74,088   | 0%  |
| <b>Executives</b>                                   |   |                         |                 |                               |                      |                              |                                    |             |  |     |
|   | Mr P Harold, Managing Director/CEO <sup>1</sup> | 2021                    | 434,607         | 87,500                        | 47,499               | 115,681                      | 114,103                            | 50,010      | 849,400  | 24% |
|   |   | 2020                    | 166,667         | -                             | 15,833               | 6,165                        | -                                  | 12,919      | 201,584  | 0%  |
|   | Mr B Shalders, CFO <sup>1</sup>                 | 2021                    | 251,197         | 38,500                        | 26,125               | -                            | 31,101                             | 18,924      | 365,847  | 19% |
|   |   | 2020                    | 214,423         | -                             | 20,370               | -                            | -                                  | 17,748      | 252,541  | 0%  |
|   | Mr D Riekie, Interim CEO <sup>3</sup>           | 2021                    | -               | -                             | -                    | -                            | -                                  | -           | -  | -   |
|   |   | 2020                    | 211,500         | -                             | -                    | -                            | -                                  | -           | 211,500  | 0%  |
|   | Mr R Dennis <sup>2</sup>                        | 2021                    | -               | -                             | -                    | -                            | -                                  | -           | -  | -   |
|   |   | 2020                    | 73,128          | -                             | 4,071                | -                            | -                                  | 3,143       | 80,342   | 0%  |
| <b>Total compensation: key management personnel</b> |   |                         |                 |                               |                      |                              |                                    |             |  |     |
|   |   | 2021                    | 1,050,412       | 126,000                       | 82,131               | 155,988                      | 145,204                            | 68,934      | 1,628,669                                      |     |
|   |   | 2020                    | 973,342         | -                             | 55,421               | 13,394                       | -                                  | 33,810      | 1,075,967                                      |     |

1. Appointments – Mr B Shalders 9 September 2019, Mr D La Ferla 1 December 2019, Mr P Harold 3 March 2020, Mr D Hildebrand 1 July 2020 and Mr P Muccilli 3 August 2020.

2. Resignations – Mr R Dennis 31 August 2019, Mr G Brayshaw and Mr K Paganin 30 June 2020.

3. Mr D Riekie was Interim Chief Executive Officer from 2 September 2019 to 3 March 2020.

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2021

7. Remuneration report – audited (continued)

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

- (a) Salary and fees include base salary and fees.
- (b) Bonuses relates to amounts earned under the Short-Term incentive (STI) program based on achievement of KPI's in accordance with the STI program.
- (c) The performance rights granted to executives represent the Long-Term incentive (LTI) awards for FY2021 and the value disclosed in the portion of the fair value of the rights recognised in the reporting period and the amount allocated to remuneration.
- (d) Other long-term benefits include leave entitlements paid and the movement in annual and long service leave provisions.

7.3 Equity instruments

Analysis of options and rights over equity instruments granted as compensation

**Share Options**

There were no new options granted during the year.

The below options were approved by shareholders at the November 2020 AGM:

| Number of options granted | Grant date | Vesting and exercise date | Expiry date | Exercise price \$ | Value per option at grant date \$ | Held at 30 June 2021 |
|---------------------------|------------|---------------------------|-------------|-------------------|-----------------------------------|----------------------|
| 1,000,000                 | 1 Dec 2019 | 1 Dec 2019                | 1 Dec 2022  | 0.10              | 0.003                             | 1,000,000            |
| 1,000,000                 | 1 Dec 2019 | 1 Dec 2019                | 1 Dec 2023  | 0.13              | 0.004                             | 1,000,000            |
| 3,000,000                 | 3 Mar 2020 | 3 Mar 2023                | 3 Mar 2025  | 0.07              | 0.01                              | 3,000,000            |
| 3,000,000                 | 3 Mar 2020 | 3 Mar 2023                | 3 Mar 2025  | 0.08              | 0.009                             | 3,000,000            |
| <u>8,000,000</u>          |            |                           |             |                   |                                   | <u>8,000,000</u>     |

**Performance Rights**

During the reporting period the following performance rights were granted as compensation to each key management person:

| Executives    | Number of performance rights granted | Vesting condition | Grant date                 | Fair value at grant date \$ <sup>2</sup> | Expiry date  |
|---------------|--------------------------------------|-------------------|----------------------------|--|--------------|
| Mr P Harold   | 2,564,103                            | (a)               | 31 March 2021 <sup>1</sup> | \$0.089                                  | 30 June 2022 |
|               | 1,282,051                            | (b)               | 31 March 2021 <sup>1</sup> | \$0.089                                  | 30 June 2022 |
|               | 1,282,051                            | (c)               | 31 March 2021 <sup>1</sup> | \$0.089                                  | 30 June 2022 |
| Mr B Shalders | 1,091,270                            | (a)               | 31 March 2021              | \$0.057                                  | 30 June 2022 |
|               | 545,635                              | (b)               | 31 March 2021              | \$0.057                                  | 30 June 2022 |
|               | 545,635                              | (c)               | 31 March 2021              | \$0.057                                  | 30 June 2022 |

<sup>1</sup> Performance rights are subject to shareholder approval at the 2021 AGM. For financial reporting purposes they have been valued at 30 June 2021.

<sup>2</sup> The fair values at grant date of performance rights are independently determined using a Black-Scholes option pricing model that takes into account the term of the rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the rights.

Poseidon Nickel Limited  
Directors' report (continued)  
For the year ended 30 June 2021

7. Remuneration report – audited (continued)

7.3 Equity instruments (continued)

- (a) Total Shareholder Return (50% weighting) – absolute return benchmarked against ASX peers as per below list of peers.
- (b) Revenue Rights (25% weighting) – the Company needs to be generating revenue via the production of gold or base metals or both.
- (c) Black Swan Operations (25% weighting) – Black Swan needs to be in production.

The achievement of (a), (b) and (c) is considered in the Company's assessment of the number of Performance Rights that are likely to vest, and not in the fair value.

The assessment of the above and the award are subject to Board discretion.

TSR – Peer group companies based on metal and market cap

| Listed ASX Nickel Sulphide Companies | Base Metal Companies           |
|--------------------------------------|--------------------------------|
| Mincor Resources NL                  | Rex Minerals Ltd (Cu)          |
| Chalice Mining Ltd                   | Stavely Minerals Ltd (Cu)      |
| Legend Mining Ltd                    | Hillgrove Resources Ltd (Cu)   |
| Western Areas Ltd                    | Aeris Resources Ltd (Cu)       |
| St George Mining Ltd                 | Hot Chilli Ltd (Cu)            |
| Blackstone Minerals Ltd              | Heron Resources Ltd (Zn)       |
| Centaurus Metals Ltd                 | Venturex Resources Ltd (Cu)    |
| Panoramic Resources Ltd              | Red River Resources Ltd (Zn)   |
| Metals X Ltd                         | New Century Resources Ltd (Zn) |
| Lithium Companies                    | Adriatic Metals PLC (Zn)       |
| Clean TeQ Holdings Ltd               | Sandfire Resources Ltd (Cu)    |
| Pilbara Minerals Ltd                 |                                |
| Orocobre Ltd                         |                                |
| Galaxy Resources Ltd                 |                                |
| Altura Mining Ltd                    |                                |

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

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

**Details of equity incentives affecting current and future remuneration**

Details of vesting profiles of the performance rights and options held by each key management person and amounts recognised as remuneration during the reporting period are detailed below:

|               | Instrument            | Number    | Grant date               | % vested<br>in year | % forfeited<br>during<br>year | Financial years<br>in which grant<br>vests | Recognised as<br>remuneration<br>(\$) |
|---------------|-----------------------|-----------|--------------------------|---------------------|-------------------------------|--|---------------------------------------|
| Mr D La Ferla | Options               | 2,000,000 | 1 Dec 2019               | -                   | -                             | 30 June 2020                               | 40,307                                |
| Mr P Harold   | Options               | 6,000,000 | 3 Mar 2020               | -                   | -                             | 30 June 2023                               | 115,681                               |
| Mr P Harold   | Performance<br>rights | 5,128,205 | 31 Mar 2021 <sup>1</sup> | -                   | -                             | 30 June 2022                               | 114,103                               |
| Mr B Shalders | Performance<br>rights | 2,182,540 | 31 Mar 2021              | -                   | -                             | 30 June 2022                               | 31,101                                |

<sup>1</sup> Performance rights are subject to shareholder approval at the 2021 AGM.

# Poseidon Nickel Limited

## Directors' report (continued)

For the year ended 30 June 2021

### 7. Remuneration report – audited (continued)

#### 7.3 Equity instruments (continued)

##### Options and rights over equity instruments

The movement during the reporting period in the number of performance rights and 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 2020 | Granted as compensation | Exercised | Lapsed | Forfeited | Held at 30 June 2021 | Vested during the year | Vested and exercisable at 30 June 2021 |
|---------------------------|---------------------|-------------------------|-----------|--------|-----------|----------------------|------------------------|--|
| <b>Options</b>            |                     |                         |           |        |           |                      |                        |  |
| Mr D La Ferla             | 2,000,000           | -                       | -         | -      | -         | 2,000,000            | -                      | 2,000,000                              |
| Mr P Harold               | 6,000,000           | -                       | -         | -      | -         | 6,000,000            | -                      | -                                      |
| <b>Performance Rights</b> |                     |                         |           |        |           |                      |                        |  |
| Mr P Harold               | -                   | 5,128,205 <sup>1</sup>  | -         | -      | -         | 5,128,205            | -                      | -                                      |
| Mr B Shalders             | -                   | 2,182,540               | -         | -      | -         | 2,182,540            | -                      | -                                      |

<sup>1</sup> Performance rights are subject to shareholder approval at the 2021 AGM.

##### 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 2020 | Share entitlement issue | Performance right conversion | Purchases or sales | Net change - other | Held at 30 June 2021 |
|-------------------|---------------------|-------------------------|------------------------------|--------------------|--------------------|----------------------|
| <b>Directors</b>  |                     |                         |                              |                    |                    |                      |
| Mr D La Ferla     | -                   | -                       | -                            | -                  | -                  | -                    |
| Ms F Gooding      | -                   | -                       | -                            | -                  | -                  | -                    |
| Mr D Hildebrand   | -                   | -                       | -                            | -                  | -                  | -                    |
| Mr P Muccilli     | -                   | -                       | -                            | -                  | -                  | -                    |
| <b>Executives</b> |                     |                         |                              |                    |                    |                      |
| Mr P Harold       | -                   | -                       | -                            | 500,000            | -                  | 500,000              |
| Mr B Shalders     | -                   | -                       | -                            | 115,384            | -                  | 115,384              |

Poseidon Nickel Limited  
 Directors' report (continued)  
 For the year ended 30 June 2021

7. Remuneration report – audited (continued)

7.4 Key management personnel transactions

**Other transactions with key management personnel**

Director fees for Ms Gooding are payable to Wyloo Metals Pty Ltd. Amounts recognised in respect of director fees for the financial year were \$74,088 (2020: \$74,088).

Director fees for Mr Hildebrand are payable to Orchard Lane Holdings. Amounts recognised in respect of director fees for the financial year were \$64,088 (2020: nil).

Unearthed Geological Consulting, a company related to Mr Muccilli, received aggregate fees in the period of \$21,905 relating to the provision of consultancy services for the year ended 30 June 2021 (2020: nil).

Director fees for Mr Paganin were payable to Icon Advisory Pty Ltd. Amounts recognised in respect of director fees for the prior financial year were \$74,088.

DNR Consulting, a company related to Mr Riekie, received aggregate fees in the prior period of \$315,456 relating to the provision of consultancy services for the year ended 30 June 2020. This is inclusive of his fees of \$211,500 received whilst appointed as Interim CEO of the Company.

Transactions with the related parties were made on commercial terms and at market rates.

7.5 Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive (STI) bonuses awarded as remuneration and paid as cash to each director of the Company, and other key management personnel are detailed below:

| Executives    | Maximum STI available (% of Base Salary) | Gateway conditions met | KPIs met   | Short-term Incentive Bonus      |                  |
|---------------|--|------------------------|------------|---------------------------------|------------------|
|               |  |                        |            | Included in remuneration \$ (a) | % vested in year |
| Mr P Harold   | 50%                                      | (i), (ii)              | (iv), (vi) | 87,500                          | 35%              |
| Mr B Shalders | 40%                                      | (i), (ii)              | (iv), (vi) | 38,500                          | 35%              |

The vesting conditions to be achieved over a 12-month period ending 30 June 2021 to qualify for an STI bonus are as follows:

Gateway conditions

- (i) Health and Safety – no significant long-term injuries – no fatalities and no permanent or total disablement injuries – **100% achieved.**
- (ii) Budgeted Costs – costs are to be within agreed Budget, excluding additional costs for unbudgeted exploration, merger and acquisition activities and unexpected events requiring expenditure. Discretion to be exercised by the Board – **70% achieved.**

KPI conditions

- (iii) Discovery (25% weighting) – Black Swan Operations progressing to restart as indicated by a signed Direct Shipping Ore (DSO) offtake or substantial Memorandum of Understanding (MOU) agreement or other development which is third party financeable with an indicative term sheet signed. – **not achieved.**
- (iv) Resource and Reserve (25% weighting) – a material upgrade in reserves in nickel or other metal, which is value accretive via development, joint venture, earn-in or other similar arrangement – **100% achieved.**
- (v) Divestment (25% weighting) – divestment of project by 30 June 2021 – **not realised due to change in strategy.**
- (vi) Market Capitalisation (25% weighting) – the Company reaching \$160 million market capitalisation (based on 2.642 million shares on issue at \$0.06) for 90 consecutive days between 1 October 2020 and 30 June 2021 – **100% achieved.**

**End of Remuneration report – audited**

# Poseidon Nickel Limited

## Directors' report (continued)

For the year ended 30 June 2021

### 8. Corporate governance statement

The Company's 2021 Corporate Governance Statement has been released as a separate document and is also located on our website at <http://www.poseidon-nickel.com.au/investors-media/corporate-governance/>.

### 9. Dividends

The Directors recommend that no dividend be declared or paid.

### 10. Events subsequent to reporting date

On 23 July 2021 the Company announced it had completed the Definitive Feasibility Study (DFS) of the Windarra Tailings Project, which demonstrated a robust and profitable project in retreating the gold tailings at Windarra and Lancefield.

Subsequent to year end the Company raised \$22 million (before costs) through a private placement of ordinary shares and raised a further \$6 million under a share purchase plan.

### 11. Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

|                 | Ordinary shares | Options over ordinary shares |
|-----------------|-----------------|------------------------------|
| Mr D La Ferla   | -               | 2,000,000                    |
| Ms F Gooding    | -               | -                            |
| Mr P Harold     | 500,000         | 6,000,000                    |
| Mr D Hildebrand | -               | -                            |
| Mr P Muccilli   | -               | -                            |
|                 | 500,000         | 8,000,000                    |

### 12. Share options

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

During the financial year, there were no new options granted to directors or officers of the Company.

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 has not issued any ordinary shares as a result of the exercise of options.

**Poseidon Nickel Limited**  
**Directors' report (continued)**  
**For the year ended 30 June 2021**

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

**Insurance premiums**

The Company has agreed to indemnify the following current directors and officers of the Company, Mr D La Ferla, Ms F Gooding, Mr D Hildebrand, Mr P Muccilli, Mr P Harold and Mr B Shalders against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers 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 and officers of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid a premium to insure the directors and officers of the Company and its controlled entities. Details of the premium are subject to a confidentiality clause under the contract of insurance and do not contain details of the premiums paid in respect of individual officers of the Company. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

**14. Non-audit services**

During the year KPMG, the Company's auditor, has not performed any services outside their statutory duties. The fee paid for the audit and review of financial reports is \$63,906 (2020: \$63,750).

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

The Lead auditor's independence declaration is set out on page 59 and forms part of the directors' report for financial year ended 30 June 2021.

**16. Rounding off**

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 1 April 2016 and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:



**Managing Director/CEO**

Perth  
 23 September 2021

# Poseidon Nickel Limited

## Consolidated statement of financial position

As at 30 June 2021

In thousands of AUD

|   | Note | 2021           | 2020           |
|---|------|----------------|----------------|
| <b>Assets</b>   |      |                |                |
| Cash and cash equivalents   | 4.1a | 7,903          | 45,236         |
| Trade and other receivables                                       | 4.2  | 880            | 633            |
| Other investments – term deposits                                 |      | 36             | 12             |
| <b>Total current assets</b>                                       |      | <b>8,819</b>   | <b>45,881</b>  |
| Property, plant and equipment                                     | 3.2  | 24,593         | 24,618         |
| Right-of-Use Assets   | 3.3  | 630            | -              |
| Exploration and evaluation expenditure                            | 3.1  | 87,397         | 65,659         |
| Other   | 3.4  | 3,500          | 3,500          |
| <b>Total non-current assets</b>                                   |      | <b>116,120</b> | <b>93,777</b>  |
| <b>Total assets</b>   |      | <b>124,939</b> | <b>139,658</b> |
| <b>Liabilities</b>  |      |                |                |
| Trade and other payables  | 4.3  | 2,638          | 1,729          |
| Loans and borrowings  | 5.2  | -              | 24,716         |
| Lease liabilities   | 5.3  | 140            | -              |
| Employee benefits   |      | 94             | 207            |
| Provisions  | 3.5  | 3,500          | 3,500          |
| <b>Total current liabilities</b>                                  |      | <b>6,372</b>   | <b>30,152</b>  |
| Provisions  | 3.5  | 57,919         | 48,235         |
| Lease liabilities   | 5.3  | 519            | -              |
| <b>Total non-current liabilities</b>                              |      | <b>58,438</b>  | <b>48,235</b>  |
| <b>Total liabilities</b>  |      | <b>64,810</b>  | <b>78,387</b>  |
| <b>Net Assets</b>   |      | <b>60,129</b>  | <b>61,271</b>  |
| <b>Equity</b>   |      |                |                |
| Share capital   | 5.1  | 238,266        | 228,796        |
| Reserves  |      | 336            | 15             |
| Accumulated losses  |      | (178,473)      | (167,540)      |
| <b>Total equity attributable to equity holders of the Company</b> |      | <b>60,129</b>  | <b>61,271</b>  |

The notes on pages 24 to 52 are an integral part of these consolidated financial statements.

Poseidon Nickel Limited  
Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

| <i>In thousands of AUD</i>                     | <b>Note</b> | <b>2021</b>     | <b>2020</b>     |
|--|-------------|-----------------|-----------------|
| Other income                                   | 2.2         | 738             | 502             |
| Depreciation expense                           |             | (370)           | (19)            |
| Personnel expenses                             | 2.3         | (2,144)         | (1,159)         |
| Exploration and evaluation costs expensed      | 3.1         | (5,977)         | (8,954)         |
| Consultancy and advisor fees                   |             | (1,288)         | (1,499)         |
| Share based payment expense                    | 6.1         | (323)           | (13)            |
| Other expenses                                 |             | (1,037)         | (760)           |
| <b>Results from operating activities</b>       |             | <b>(10,401)</b> | <b>(11,902)</b> |
| Finance income                                 |             | 274             | 1,980           |
| Finance costs                                  |             | (806)           | (2,930)         |
| <b>Net finance income / (costs)</b>            | 2.4         | <b>(532)</b>    | <b>(950)</b>    |
| <b>Loss before income tax</b>                  |             | <b>(10,933)</b> | <b>(12,852)</b> |
| Income tax benefit                             | 2.5         | -               | -               |
| <b>Total comprehensive loss for the year</b>   |             | <b>(10,933)</b> | <b>(12,852)</b> |
| <b>Earnings per share</b>                      |             |                 |                 |
| Basic and diluted loss per share (cents/share) | 2.6         | (0.40)          | (0.49)          |

The notes on pages 24 to 52 are an integral part of these consolidated financial statements.

Poseidon Nickel Limited  
Consolidated statement of changes in equity

For the year ended 30 June 2021

In thousands of AUD

|   | Share<br>Capital | Share based<br>payment reserve | Accumulated<br>losses | Total equity  |
|---|------------------|--------------------------------|-----------------------|---------------|
| <b>Balance at 1 July 2019</b>                               | <b>228,796</b>   | <b>2</b>                       | <b>(154,688)</b>      | <b>74,110</b> |
| Loss for the year   | -                | -                              | (12,852)              | (12,852)      |
| <b>Other comprehensive income</b>                           |                  |                                |                       |               |
| Total other comprehensive income                            | -                | -                              | -                     | -             |
| Total comprehensive income for the year                     | -                | -                              | (12,852)              | (12,852)      |
| <b>Transactions with owners recorded directly in equity</b> |                  |                                |                       |               |
| <b>Contributions by and distributions to owners</b>         |                  |                                |                       |               |
| Issue of share capital (net of costs)                       | -                | -                              | -                     | -             |
| Issue of share options                                      | -                | 13                             | -                     | 13            |
| Total contributions by and distributions to owners          | -                | 13                             | -                     | 13            |
| <b>Balance at 30 June 2020</b>                              | <b>228,796</b>   | <b>15</b>                      | <b>(167,540)</b>      | <b>61,271</b> |
| Loss for the year   | -                | -                              | (10,933)              | (10,933)      |
| <b>Other comprehensive income</b>                           |                  |                                |                       |               |
| Total other comprehensive income                            | -                | -                              | -                     | -             |
| Total comprehensive income for the year                     | -                | -                              | (10,933)              | (10,933)      |
| <b>Transactions with owners recorded directly in equity</b> |                  |                                |                       |               |
| <b>Contributions by and distributions to owners</b>         |                  |                                |                       |               |
| Issue of share capital (net of costs)                       | 9,468            | -                              | -                     | 9,468         |
| Issue of share options                                      | -                | 156                            | -                     | 156           |
| Issue of performance rights                                 | -                | 167                            | -                     | 167           |
| Performance rights exercised                                | 2                | (2)                            | -                     | -             |
| Total contributions by and distributions to owners          | 9,470            | 321                            | -                     | 9,791         |
| <b>Balance at 30 June 2021</b>                              | <b>238,266</b>   | <b>336</b>                     | <b>(178,473)</b>      | <b>60,129</b> |

The condensed notes on pages 24 to 52 are an integral part of these consolidated financial statements.

# Poseidon Nickel Limited

## Consolidated statement of cash flows

For the year ended 30 June 2021

*In thousands of AUD*

|  | <b>Note</b> | <b>2021</b>     | <b>2020</b>    |
|--|-------------|-----------------|----------------|
| <b>Cash flows from operating activities</b>                  |             |                 |                |
| Sundry receipts  |             | 607             | 617            |
| Payments to suppliers and employees                          |             | (10,270)        | (12,013)       |
| Cash used in operations                                      |             | (9,663)         | (11,396)       |
| Interest received  |             | 171             | 1,415          |
| <b>Net cash used in operating activities</b>                 | <b>4.1b</b> | <b>(9,492)</b>  | <b>(9,981)</b> |
| <b>Cash flows from investing activities</b>                  |             |                 |                |
| Payments for property, plant and equipment                   |             | (246)           | (125)          |
| Payments for exploration and evaluation expenditure          |             | (11,646)        | (3,137)        |
| Proceeds from other investments – term deposits              |             | -               | 35,000         |
| <b>Net cash used in investing activities</b>                 |             | <b>(11,892)</b> | <b>31,738</b>  |
| <b>Cash flows from financing activities</b>                  |             |                 |                |
| Proceeds from the issue of shares and options (net of costs) |             | 9,468           | -              |
| Repayment of borrowings                                      |             | (25,115)        | -              |
| Repayment of lease liabilities                               |             | (73)            | -              |
| Interest paid  |             | (229)           | (1,654)        |
| <b>Net cash used in financing activities</b>                 |             | <b>(15,949)</b> | <b>(1,654)</b> |
| <b>Net increase/ (decrease) in cash and cash equivalents</b> |             | <b>(37,333)</b> | <b>20,103</b>  |
| Cash and cash equivalents at 1 July                          |             | 45,236          | 25,133         |
| <b>Cash and cash equivalents at 30 June</b>                  | <b>4.1a</b> | <b>7,903</b>    | <b>45,236</b>  |

*The notes on pages 24 to 52 are an integral part of these consolidated financial statements.*

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### Section 1 – Basis of Preparation

Poseidon Nickel Limited presents its financial statements in a format and style that is relevant and clear to shareholders and other users. In preparing the 2021 financial statements, we have grouped notes into sections under six key categories:

1. Basis of preparation
2. Results for the year
3. Assets and liabilities supporting Exploration and Evaluation
4. Working capital disclosures
5. Equity and funding
6. Other disclosures

Significant accounting policies specific to one note are included within that note. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

#### 1.1 General information

Poseidon Nickel Limited (the 'Company') is a for profit entity domiciled in Australia. The Company's registered office is located at Level 1, 3 Ord Street, West Perth WA 6005. The Group is primarily involved in exploration and evaluation of projects relating to nickel and other minerals.

The consolidated financial statements comprising of the Company and its subsidiaries (collectively the 'Group') have been authorised for issue by the Board of Directors on 23 September 2021. The financial statements are general purpose financial statements which:

- Have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB");
- Have been prepared on a historical cost basis, except for the convertible note derivative and share based payments which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- Are presented in Australian Dollars, being the Company's functional currency and the functional currency of the companies within the Group. Amounts are rounded to the nearest thousand, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191;
- Adopts all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2020. Refer to note 6.8 for further details; and
- Does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective.

#### 1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 1.3 Foreign currencies

The primary economic environment in which the Group operates is Australia. The consolidated financial statements are therefore presented in Australian dollars.

Transactions in foreign currencies are initially recorded in Australian dollars at the exchange rate on that day. Foreign currency monetary assets and liabilities are translated into Australian dollars at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year-end, a foreign exchange gain or loss may arise. Any such differences are recognised in the income statement. Non-monetary assets and liabilities measured at historical cost are translated into Australian dollars at the exchange rate on the date of the transaction.

### 1.4 Research and development expenditure

The Group undertakes expenditure on activities that are categorised as 'eligible expenditure' under the Research & Development Tax Concession which are dependent upon certain criteria and may be subject to a tax offset. Under AASB 120, where a tax offset has been received or receivable in cash, the Group accounts for the tax offset as follows:

- Where a grant is received or receivable in relation to research and development costs which have been capitalised, the tax offset shall be deducted from the carrying amount of the asset; or
- Where a grant is received or receivable in relation to research and development costs which have been charged to the profit and loss account during this or a prior financial year, the tax offset shall be credited to the profit and loss account.

### 1.5 Impairment

#### Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Impairment losses on available-for-sale investments are recognised by reclassifying the cumulative loss that has been recognised in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

#### Non-financial assets

Non-financial assets, other than deferred tax assets, are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

An impairment test is performed by assessing the recoverable amount of each asset, or cash generating unit ("CGU"). Assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and 'value in use'. The value in use is based on the present value of the future cash flows expected to arise from the asset, taking into account the risks specific to the asset or CGU.

Any impairment identified is recognised in profit or loss. Reversals of impairments of assets are recognised if there is an indication that a previously recognised impairment loss has reversed and the recoverable amount of the impaired asset has subsequently increased.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 1.6 Accounting judgements and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which estimates are revised and in any future periods affected.

Judgements and estimates which are material to the financial report are found in the following areas:

- Exploration and evaluation assets (note 3.1);
- Site rehabilitation provision (note 3.5); and
- Share-based payments (note 6.1).

### 1.7 COVID-19

As the COVID-19 pandemic continues to impact Australia and the world, the Group has implemented a variety of protocols and measures to ensure the safety of all of its employees and contractors as well as to safeguard the assets of the business. The Group has considered the impact of COVID-19 on each of its significant accounting judgements and estimates, particularly with respect to assumptions used in determining cash, impairment of non-current assets and going concern. At this stage no further significant estimates have been identified as a result of COVID-19, however management is monitoring the increased level of uncertainty in all future cash flow forecasts used in asset valuation and financial viability.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### Section 2 – Results for the Year

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating loss, taxation and earnings per share.

#### KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

##### Deferred taxation

The Group has unrecognised carry forward tax losses which can be utilised against future taxable profits. Given that the Group is not yet in production, future taxable profits are not considered probable to utilise carry forward tax losses, as such the tax asset has not been recognised.

### 2.1 Operating segments

For management purposes the Group has one operating segment, being nickel and other mineral exploration and evaluation in Australia. Segment results that are reported to the Group chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

#### Information about reportable segments

*In thousands of AUD*

##### For the year ended 30 June

|   |         |         |
|---|---------|---------|
| Reportable segment other income               | 669     | 445     |
| Reportable segment exploration costs expensed | (5,977) | (8,954) |
| Reportable segment loss before income tax     | (5,308) | (8,509) |
| Reportable segment assets                     | 115,205 | 93,496  |
| Reportable segment liabilities                | 63,555  | 52,980  |
| Capital expenditure                           | 13,022  | 3,021   |

#### Nickel exploration and evaluation

**2021**                      **2020**

#### Reconciliations of reportable segment loss and assets

##### Loss

|   |          |          |
|---|----------|----------|
| Total loss for reportable segments            | (5,308)  | (8,509)  |
| Unallocated amounts: other corporate expenses | (5,093)  | (3,393)  |
| Net finance costs                             | (532)    | (950)    |
| Loss before income tax                        | (10,933) | (12,852) |

##### Assets

|                                      |         |         |
|--------------------------------------|---------|---------|
| Total assets for reportable segments | 115,205 | 93,496  |
| Other assets                         | 9,734   | 46,162  |
|                                      | 124,939 | 139,658 |

##### Liabilities

|   |        |        |
|---|--------|--------|
| Total liabilities for reportable segments | 63,555 | 52,980 |
| Other liabilities                         | 1,255  | 25,407 |
|   | 64,810 | 78,387 |

There have been no changes to the basis of segmentation or the measurement basis for the segment loss since 30 June 2020.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 2.2 Other income

#### ACCOUNTING POLICY

##### Research and development proceeds

Research and development proceeds are government grants that are recognised in profit or loss when there is reasonable assurance that the grant will be received.

##### Sundry income

Includes income received from the rental of mining equipment to a third party.

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

| <i>In thousands of AUD</i>        | 2021       | 2020       |
|-----------------------------------|------------|------------|
| Research and development proceeds | 526        | 328        |
| Sundry income                     | 212        | 174        |
|                                   | <u>738</u> | <u>502</u> |

### 2.3 Personnel expenses

#### ACCOUNTING POLICY

##### Short-term employee benefits

Wages, salaries and defined contribution superannuation benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

##### Share-based payments

The policy relating to share-based payments is set out in note 6.1.

The table below sets out personnel costs expensed during the year:

| <i>In thousands of AUD</i>                              | 2021         | 2020         |
|---|--------------|--------------|
| Directors fees  | 342          | 308          |
| Wages and salaries                                      | 1,288        | 624          |
| Superannuation expense                                  | 146          | 138          |
| Other associated personnel expenses                     | 255          | 33           |
| Increase/(decrease) in liability for annual leave       | 117          | 50           |
| Increase/(decrease) in liability for long service leave | (4)          | 6            |
|   | <u>2,144</u> | <u>1,159</u> |

### 2.4 Net financing costs

#### ACCOUNTING POLICY

Net finance costs comprise income on funds invested, gains / losses on disposal of financial instruments, changes in fair value of financial instruments, interest expense on borrowings, impairment losses on financial assets and foreign exchange gains / losses. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 2.4 Net financing costs (continued)

Net financing costs can be analysed as follows:

| <i>In thousands of AUD</i>                          | <b>Note</b> | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|-------------|
| Interest income on bank deposits                    |             | 105         | 858         |
| Change in fair value of convertible note derivative |             | -           | 1,122       |
| Net foreign exchange gain                           | 5.2         | 169         | -           |
| Finance income                                      |             | 274         | 1,980       |
| Interest expense – convertible note                 | 5.2         | (797)       | (2,514)     |
| Interest expense – lease                            | 5.3         | (9)         | -           |
| Net foreign exchange loss                           |             | -           | (416)       |
| Finance costs                                       |             | (806)       | (2,930)     |
| Net finance income/(cost)                           |             | (532)       | (950)       |

### 2.5 Income tax expenses

#### ACCOUNTING POLICY

The income tax expense represents the sum of tax currently payable and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax is based on tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Poseidon Nickel Limited  
Notes to the consolidated financial statements

2.5 Income tax expenses (continued)

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

| <i>In thousands of AUD</i>                        | 2021 | 2020 |
|---|------|------|
| Current tax expense                               |      |      |
| Current year                                      | -    | -    |
| Adjustments for prior periods                     | -    | (70) |
|   | -    | (70) |
| Deferred tax expense                              |      |      |
| Origination and reversal of temporary differences | -    | 70   |
|   | -    | 70   |
| Total tax benefit                                 | -    | -    |

b. Numerical reconciliation between tax expense and pre-tax accounting loss

| <i>In thousands of AUD</i>  | 2021     | 2020     |
|---|----------|----------|
| Loss for the year   | (10,933) | (12,852) |
| Total tax expense   | -        | -        |
| Loss excluding tax  | (10,933) | (12,852) |
| Income tax expense at the Australian tax rate of 30%<br>(2020: 30%) | (3,280)  | (3,856)  |
| Share-based payments  | 98       | 4        |
| Non-assessable grant income   | (158)    | (113)    |
| Other non-deductible expenses                                       | 4        | (4)      |
| Over provided in prior periods                                      | 1        | (70)     |
|   | (3,335)  | (4,039)  |
| Deferred tax assets not recognised                                  | 3,335    | 4,039    |
| Total income tax benefit  | -        | -        |

c. Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| <i>In thousands of AUD</i>           | 2021     | 2020     |
|--------------------------------------|----------|----------|
| <b>Deferred Tax Liabilities</b>      |          |          |
| Exploration expenditure              | (11,636) | (8,053)  |
| Right-of-Use Assets                  | 9        | -        |
| Loans and borrowings                 | -        | 4        |
| Other items                          | (12)     | 12       |
| <b>Deferred Tax Assets</b>           |          |          |
| Carry forward tax losses recognised  | 48,766   | 41,705   |
| Business related costs               | 638      | -        |
| Other items                          | 291      | 957      |
| Total deferred tax asset/(liability) | 38,056   | 34,624   |
| Tax losses not recognised            | (38,056) | (34,624) |
| Net deferred tax asset/(liability)   | -        | -        |

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 2.5 Income tax expenses (continued)

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

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

| <i>In thousands of AUD</i> | <b>2021</b>   | <b>2020</b>   |
|----------------------------|---------------|---------------|
| Tax losses                 | 38,056        | 34,624        |
|                            | <u>38,056</u> | <u>34,624</u> |

At 30 June 2021, the Group has carry-forward tax losses of \$48,766,000 at 30% (30 June 2020: \$41,705,000) of which \$10,710,000 (30 June 2020: \$7,080,000) has been recognised.

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

#### 2.6 Earnings (loss) per share

##### Basic and diluted earnings (loss) per share

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

The calculation of basic EPS at 30 June 2021 was based on the loss attributable to ordinary shareholders of \$10,933,000 (2020: \$12,852,000) and a weighted average number of ordinary shares outstanding of 2,729,940,000 (2020: 2,642,702,000).

The calculation of diluted EPS at 30 June 2021 was based on the loss attributable to ordinary shareholders of \$10,933,000 (2020: \$12,852,000) and a weighted average number of ordinary shares outstanding of 2,729,940,000 (2020: 2,642,702,000). Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

| <i>In thousands</i>                                   | <b>2021</b>      | <b>2020</b>      |
|---|------------------|------------------|
| Loss attributable to ordinary shareholders            | (10,933)         | (12,852)         |
| Issued ordinary shares at 1 July                      | 2,642,702        | 2,642,702        |
| Effect of shares issued                               | 87,238           | -                |
| Weighted average number of ordinary shares at 30 June | <u>2,729,940</u> | <u>2,642,702</u> |
| Basic and diluted* loss per share (cents)             | <u>(0.40)</u>    | <u>(0.49)</u>    |

\* Potential ordinary shares of the Group consist of 6,000,000 dilutive share options issued (2020: 46,354 dilutive performance rights). In accordance with AASB 133 'Earnings per Share' options are excluded from the calculation of diluted earnings (loss) per share due to their anti-dilutive effect as the Group was in a loss making position.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### Section 3 – Assets and Liabilities Supporting Exploration and Evaluation

This section focuses on the exploration and evaluation assets which form the core of the business, including those assets and liabilities which support ongoing exploration and evaluation as well as capital commitments existing at the year end.

#### KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

##### Indicators of impairment for exploration and evaluation assets

At 30 June 2021 and 30 June 2020, the Group has concluded that no impairment indicators existed. In making this assessment, management is required to make assessments on the status of each project and the future plans towards successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

##### Site restoration

Provisions for the costs of rehabilitation, decommissioning and restoration of the area disturbed during mining activities depends on the legal requirements at the date of decommissioning, the costs and timing of work and the discount rate to be applied. Site restoration provisions are reviewed and updated as necessary each year to reflect management's best estimates of future cost estimates and timings.

### 3.1 Exploration and evaluation expenditure

#### ACCOUNTING POLICY

Acquisition of a right to explore is capitalised. Subsequently, expenditure on exploration and evaluation activities relating to each area of interest is capitalised as incurred only where a commercially recoverable JORC compliant resource has been identified. Expenditure incurred on activities that precede establishing the existence of a commercially recoverable mineral resource is expensed as incurred. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets. Costs incurred in relation to exploration and evaluation includes acquisition of rights to explore, gathering exploration data through topographical, geochemical and geophysical studies and exploratory drilling, trenching and sampling. Directly attributable administration costs are treated as exploration and evaluation expenditure insofar as they relate to specific exploration activities. Pre-licence costs and general exploration costs not specific to any particular licence or prospect are expensed as incurred, as well as borrowing costs in connection with financing exploration and evaluation activities.

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment and any impairment loss is recognised prior to being reclassified.

#### Impairment

Exploration and evaluation assets are tested for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability is unlikely, or
- facts and circumstances suggest the carrying value exceeds the recoverable amount. The application of this policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established.

Such triggering events are defined in AASB 6 *Exploration for and Evaluation of Mineral Resources* in respect of exploration and evaluation assets.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than an area of interest. The Group performs impairment testing in accordance with note 1.5.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

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

##### Impairment (continued)

Any impairment identified is recognised in profit or loss. Reversals of impairments of assets are recognised if there is an indication that a previously recognised impairment loss has reversed and the recoverable amount of the impaired asset has subsequently increased.

In determining the assumptions used in assessing impairment, consideration has been taken as to current and expected market conditions arising from COVID-19. Actual results could significantly differ depending on the recovery from such conditions.

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

| <i>In thousands of AUD</i>  | 2021   | 2020   |
|---|--------|--------|
| Costs carried forward in respect of areas of interest in the following phase: |        |        |
| Exploration and evaluation phase  | 87,397 | 65,659 |
| <b>Reconciliations: Exploration and evaluation phase</b>                      |        |        |
| Carrying amount at beginning of year  | 65,659 | 60,946 |
| Additions   | 12,054 | 2,896  |
| Movement in provisions (note 3.5)   | 9,684  | 1,817  |
| Carrying amount at end of year  | 87,397 | 65,659 |

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Exploration expenditure of \$5,977,000 (2020: \$8,954,000) was expensed as incurred through the Income Statement for the year.

#### 3.2 Property, plant and equipment

##### ACCOUNTING POLICY

##### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

##### Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Items of PPE are depreciated from the date that they are installed and are ready for use. The estimated useful lives for the current and comparative periods are as follows:

- Leasehold improvements            25 years
- Plant and equipment                2 – 20 years
- Motor vehicles                        8 – 12 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

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

##### Impairment

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

Any impairment identified is recognised in profit or loss. Reversals of impairments of assets are recognised if there is an indication that a previously recognised impairment loss has reversed and the recoverable amount of the impaired asset has subsequently increased.

In determining the assumptions used in assessing impairment, consideration has been taken as to current and expected market conditions arising from COVID-19. Actual results could significantly differ depending on the recovery from such conditions.

|                            | Leasehold<br>improve-<br>ments | Plant and<br>equipment | Plant and<br>equipment<br>- mining | Motor<br>vehicles<br>- mining | Total  |
|----------------------------|--------------------------------|------------------------|------------------------------------|-------------------------------|--------|
| <i>In thousands of AUD</i> |                                |                        |                                    |                               |        |
| <b>Cost</b>                |                                |                        |                                    |                               |        |
| Balance at 1 July 2019     | 1,006                          | 698                    | 26,649                             | 358                           | 28,711 |
| Additions                  | -                              | 18                     | 108                                | -                             | 126    |
| Disposals                  | -                              | -                      | -                                  | -                             | -      |
| Balance at 30 June 2020    | 1,006                          | 716                    | 26,757                             | 358                           | 28,837 |
| Balance at 1 July 2020     | 1,006                          | 716                    | 26,757                             | 358                           | 28,837 |
| Additions                  | -                              | 30                     | 203                                | 19                            | 252    |
| Disposals                  | -                              | (6)                    | -                                  | -                             | (6)    |
| Balance at 30 June 2021    | 1,006                          | 740                    | 26,960                             | 377                           | 29,083 |

|   | Leasehold<br>improve-<br>ments | Plant and<br>equipment | Plant and<br>equipment<br>- mining | Motor<br>vehicles<br>- mining | Total |
|---|--------------------------------|------------------------|------------------------------------|-------------------------------|-------|
| <i>In thousands of AUD</i>                |                                |                        |                                    |                               |       |
| <b>Depreciation and impairment losses</b> |                                |                        |                                    |                               |       |
| Balance at 1 July 2019                    | 471                            | 415                    | 2,840                              | 241                           | 3,967 |
| Depreciation for the year                 | 40                             | 20                     | 174                                | 18                            | 252   |
| Disposals                                 | -                              | -                      | -                                  | -                             | -     |
| Balance at 30 June 2020                   | 511                            | 435                    | 3,014                              | 259                           | 4,219 |
| Balance at 1 July 2020                    | 511                            | 435                    | 3,014                              | 259                           | 4,219 |
| Depreciation for the year                 | 40                             | 25                     | 193                                | 19                            | 277   |
| Disposals                                 | -                              | (6)                    | -                                  | -                             | (6)   |
| Balance at 30 June 2021                   | 551                            | 454                    | 3,207                              | 278                           | 4,490 |

##### Carrying amounts

|                            | Leasehold<br>improve-<br>ments | Plant and<br>equipment | Plant and<br>equipment<br>- mining | Motor<br>vehicles<br>- mining | Total  |
|----------------------------|--------------------------------|------------------------|------------------------------------|-------------------------------|--------|
| <i>In thousands of AUD</i> |                                |                        |                                    |                               |        |
| At 30 June 2020            | 495                            | 281                    | 23,743                             | 99                            | 24,618 |
| At 30 June 2021            | 455                            | 286                    | 23,753                             | 99                            | 24,593 |

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

At 30 June 2021, the total carrying amount of these assets was \$22,983,000 (2020: \$22,983,000).

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 3.3 Right-of-use assets

##### ACCOUNTING POLICY

##### Recognition and measurement

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

During the year, the Group entered into a new office space lease agreement for five years. The Group makes monthly fixed payments with a three per cent increase each year. On lease commencement, the Group recognised \$595,000 of right-of-use asset and lease liability.

During the year, the Group entered into a lease agreement for the use of IT office equipment for five years. The Group makes monthly fixed payments. On lease commencement, the Group recognised \$128,000 of right-of-use asset and lease liability.

| <i>In thousands of AUD</i>       | <b>2021</b> |
|----------------------------------|-------------|
| Balance at 30 June 2020          | -           |
| Additions to right-of-use assets | 723         |
| Depreciation charge for the year | (93)        |
| Balance at 30 June 2021          | <u>630</u>  |

#### 3.4 Other non-current assets

The Group holds a cash collateralised security deposit of \$3,500,000 (2020: \$3,500,000) to cover the provision for site restoration made in recognition of an on-going commitment to the environmental rehabilitation of the Windarra mine site.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 3.5 Provisions

#### ACCOUNTING POLICY

##### Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

##### Site rehabilitation provisions

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site rehabilitation is recognised in respect of the estimated cost of restoration of the area previously disturbed during mining activities up to the reporting date, but not yet rehabilitated.

At each reporting date the site rehabilitation provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and re added to, or deducted from, the related asset where it is possible that future economic benefits will flow to the entity.

The site rehabilitation provision of \$3,500,000 (2020: \$3,500,000), classified as "current", is in respect of the Group's on-going obligation for the environmental rehabilitation of the Windarra mine sites. The Group continues to work with the Department of Mines and Petroleum with regards to the planning and timing of the rehabilitation.

The non-current site rehabilitation provision of \$57,919,000 (2020: \$48,235,000) is in respect of the Group's on-going obligation for the environment rehabilitation following the acquisition of the Lake Johnston and Black Swan nickel operations.

##### Movements in non-current provisions

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

| <i>In thousands of AUD</i>                        | <b>2021</b>   | <b>2020</b>   |
|---|---------------|---------------|
| Carrying amount of liability at beginning of year | 48,235        | 46,418        |
| Addition to provision                             | 9,684         | 1,817         |
| Carrying amount at end of year                    | <u>57,919</u> | <u>48,235</u> |

During the year, the rehabilitation provision was re-estimated based on updated economic assumptions. The increase in the provision was due to the revision of costs applied to the rehabilitation liability, resulting in a corresponding increase in the cost of the rehabilitation asset (note 3.1).

### 3.6 Capital and other commitments

#### Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the State Government. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable as follows:

| <i>In thousands of AUD</i> | <b>2021</b>   | <b>2020</b>   |
|----------------------------|---------------|---------------|
| Less than one year         | 1,652         | 1,667         |
| Between one and five years | 6,319         | 6,381         |
| More than five years       | 8,823         | 10,401        |
|                            | <u>16,794</u> | <u>18,449</u> |

The above represent commitments over the tenure of the tenements held by the Group.

Poseidon Nickel Limited  
Notes to the consolidated financial statements

## Section 4 – Working Capital Disclosures

This section focuses on the cash funding available to the Group and working capital position at year end.

### KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

There were no key estimations or assumptions in this section.

#### 4.1 Cash and cash equivalents

##### ACCOUNTING POLICY

Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than or equal to three months from the date of acquisition. The carrying value of cash and cash equivalents approximates fair value.

##### a. Cash and cash equivalents

*In thousands of AUD*

|  | 2021  | 2020   |
|--|-------|--------|
| Bank balances  | 7,903 | 236    |
| Term deposits < 3 months                                 | -     | 45,000 |
| Cash and cash equivalents in the statement of cash flows | 7,903 | 45,236 |

The effective interest rate on term deposits < 3 months in 2021 was 0.96% (2020: 1.70%).

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

*In thousands of AUD*

|   | 2021     | 2020     |
|---|----------|----------|
| Cash flows from operating activities                            |          |          |
| Loss for the year   | (10,933) | (12,852) |
| Adjustments for:  |          |          |
| Depreciation  | 370      | 252      |
| Interest expense - convertible note derivative                  | 229      | 2,514    |
| Interest expense – lease  | 9        | -        |
| Change in fair value of convertible note derivative             | -        | (1,122)  |
| Net foreign exchange loss                                       | 399      | 416      |
| Equity-settled share-based payment transactions                 | 323      | 13       |
| Operating loss before changes in working capital and provisions | (9,603)  | (10,779) |
| Change in trade and other receivables                           | (350)    | 669      |
| Change in trade payables and employee benefits                  | 461      | 129      |
| Net cash used in operating activities                           | (9,492)  | (9,981)  |

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 4.2 Trade and other receivables

#### ACCOUNTING POLICY

Trade receivables are recognised initially at the value of the invoice sent to the counter-party and subsequently at the amounts considered recoverable (amortised cost). In accordance with AASB Financial Instruments, the Group calculates impairment on Trade and Other receivables using the expected credit loss model. Where there is evidence that the receivable is not recoverable, it is impaired with a corresponding charge to profit or loss.

#### Current

*In thousands of AUD*

|                                   | <b>2021</b> | <b>2020</b> |
|-----------------------------------|-------------|-------------|
| Goods and services tax receivable | 548         | 280         |
| Accrued income                    | -           | 65          |
| Other receivables                 | 141         | 156         |
| Other assets and prepayments      | 191         | 132         |
|                                   | <b>880</b>  | <b>633</b>  |

### 4.3 Trade and other payables

#### ACCOUNTING POLICY

Trade payables are recognised at the value of the invoice received from a supplier or service provider.

*In thousands of AUD*

|                | <b>2021</b>  | <b>2020</b>  |
|----------------|--------------|--------------|
| Trade payables | 1,703        | 1,282        |
| Other payables | 935          | 447          |
|                | <b>2,638</b> | <b>1,729</b> |

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### Section 5 – Equity and Funding

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital and loans and borrowings.

#### KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

##### Convertible note liability

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

### 5.1 Capital and reserves

#### ACCOUNTING POLICY

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

#### Share capital

| <i>In thousands of shares</i>                      | Ordinary shares |           |
|--|-----------------|-----------|
|  | 2021            | 2020      |
| Ordinary shares                                    |                 |           |
| Fully paid   | 2,642,702       | 2,642,702 |
| Total share capital on issue at 30 June            | 2,642,702       | 2,642,702 |
| Movements in ordinary shares on issue:             |                 |           |
| On issue at 1 July                                 | 2,642,702       | 2,642,702 |
| <i>Shares issued and expensed during the year:</i> |                 |           |
| Issued for cash (i)                                | 166,667         | -         |
| Issued for performance rights                      | 46              | -         |
| On issue at 30 June                                | 2,809,415       | 2,642,702 |

- (i) During the reporting period the Company issued 166,666,667 ordinary shares at an average of \$0.06 per share to raise \$10,000,000. The capital raising incurred transaction costs of \$531,665.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 5.1 Capital and reserves (continued)

##### Share capital (continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

##### Purpose of reserves

##### Share based payment reserve

The share-based payment reserve is used to record the fair value of equity benefits provided to directors and employees as part of their remuneration.

#### 5.2 Loans and borrowings - Convertible note

##### Convertible note liability

##### ACCOUNTING POLICY

##### Recognition and measurement

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

*In thousands of AUD*

|                               | <b>Convertible<br/>note liability</b> |
|-------------------------------|---------------------------------------|
| Balance at 30 June 2020       | 24,716                                |
| Accrued interest              | 797                                   |
| Payment of interest           | (229)                                 |
| Exchange rate effects         | (169)                                 |
| Repayment of convertible note | (25,115)                              |
| Balance at 30 June 2021       | -                                     |

During August 2020, the Group entered into a forward contract with a financial institution to convert \$25,114,811 into US\$17,500,000 to fund the convertible note repayment due 30 September 2020. Following this transaction the Group approached the noteholder, Black Mountain Metals ("BMM"), for an early repayment of the convertible note to reduce interest accrued on the remaining term. BMM agreed to early repayment of the note with US\$17,500,000 paid to BMM on 31 August 2020.

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

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 5.3 Lease Liabilities

#### ACCOUNTING POLICY

##### Recognition and measurement

The Group has lease contracts for office space usage and IT office equipment with lease terms of five years.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As at 30 June 2021 lease liabilities have a remaining lease term of five years or less and were determined using an effective interest rate of 2%.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

| <i>In thousands of AUD</i> | <b>2021</b> |
|----------------------------|-------------|
| Balance at 30 June 2020    | -           |
| Additions                  | 723         |
| Cash repayments            | (73)        |
| Interest                   | 9           |
| Balance at 30 June 2021    | <b>659</b>  |

| <i>In thousands of AUD</i>     | <b>2021</b> |
|--------------------------------|-------------|
| Current lease liabilities      | 140         |
| Non- current lease liabilities | 519         |
|                                | <b>659</b>  |

### 5.4 Capital management

Capital consists of ordinary share capital, retained earnings, reserves and net debt. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may issue new shares or allow employees to participate in a share rather than cash bonus scheme.

The Group management defines net debt as total borrowings including the convertible note (note 5.2) less cash and cash equivalents (note 4.1) and equity as the sum of share capital, reserves and retained earnings as disclosed in the Statement of Financial Position.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### Section 6 – Other Disclosures

The disclosures in this section focus on share based schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

#### KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

##### Share-based payments

Share-based payments recorded for performance rights are subject to estimation as they are calculated using the Black-Scholes option pricing model, which is based on significant assumptions such as volatility, dividend yield, expected term and forfeiture rate.

#### 6.1 Share-based payments arrangements

##### ACCOUNTING POLICY

The Group's annual Incentive Performance Rights Plan ("IPRP") provides for short-term incentive (STI) and long-term incentive (LTI) programs as share-based payment arrangements where employee incentives are settled in performance rights.

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

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

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

| <i>In thousands of AUD</i>                  | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| Performance rights expense                  | 167         | -           |
| Options expense (a)                         | 156         | 13          |
| Total expenses recognised as employee costs | 323         | 13          |

(a) Options were issued in FY20 and continue to be expensed in 2021 over their vesting period.

##### Share Options

The fair values at grant date of options are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the options.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

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

##### *Share Options (continued)*

There were no new share options granted during the current year.

Share options outstanding at the end of the year have the following expiry dates and expiry prices:

| <b>Issue date</b> | <b>Vesting and exercise date</b> | <b>Expiry date</b> | <b>Exercise price \$</b> | <b>Value per option at issue date \$</b> | <b>Number of shares</b> |
|-------------------|----------------------------------|--------------------|--------------------------|--|-------------------------|
| 1 Dec 2019        | 1 Dec 2019                       | 1 Dec 2022         | 0.10                     | 0.003                                    | 1,000,000               |
| 1 Dec 2019        | 1 Dec 2019                       | 1 Dec 2023         | 0.13                     | 0.004                                    | 1,000,000               |
| 3 Mar 2020        | 3 Mar 2023                       | 3 Mar 2025         | 0.04                     | 0.01                                     | 3,000,000               |
| 3 Mar 2020        | 3 Mar 2023                       | 3 Mar 2025         | 0.05                     | 0.009                                    | 3,000,000               |
|                   |                                  |                    |                          |  | 8,000,000               |

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.24 years (2020: 4.24 years).

##### **Performance rights**

The fair values at grant date of performance rights are independently determined using a Black-Scholes option pricing model that takes into account the term of the rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the rights.

The board can decide to issue performance rights in relation to short-term performance incentives (STI) and long-term performance incentives (LTI) under the Incentive Performance Rights Plan ("IPRP") approved by shareholders at the November 2020 AGM.

##### **Long-Term Incentives (LTI)**

The LTI program plans to incentivise and reward the achievement of long-term goals over a 24 month period, with Key Performance Indicators (KPIs), commencing 1 July 2020 and ending 30 June 2022, based on the achievement of key strategic goals.

Each participant in the program is required to achieve their allocated KPIs in order to qualify for an LTI award.

These KPIs include:

i. Corporate KPIs:

- **Total Shareholder Return (TSR)** – absolute return benchmarked against ASX peers as per below list of peers:
- **Business Success Ingredients**
  - Revenue – the Company needs to be generating revenue via the production of gold or base metals or both
  - Black Swan Operations (BSO) – Black Swan needs to be in production

ii. Individual KPIs:

- **Definitive Feasibility Study (DFS)** – successful completion of the Golden Swan Definitive Feasibility Study (DFS) including all required drilling and associated test works.
- **Cost Savings** – cost savings and cash release initiatives implemented which show demonstratable evidence of cost reduction/cash release initiatives, as evidenced by a reduction of at least 5% against historical cost base and/or realisation of fixed assets resulting in cash inflow into the company.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

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

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

The assessment of the above and the award of an LTI are all at Board Discretion.

The achievement of such KPIs is estimated in the number of awards expected to vest and not in the fair value per the below table.

#### TSR – Peer group companies based on metal and market cap

| Listed ASX Nickel Sulphide Companies | Base Metal Companies           |
|--------------------------------------|--------------------------------|
| Mincor Resources NL                  | Rex Minerals Ltd (Cu)          |
| Chalice Mining Ltd                   | Stavelly Minerals Ltd (Cu)     |
| Legend Mining Ltd                    | Hillgrove Resources Ltd (Cu)   |
| Western Areas Ltd                    | Aeris Resources Ltd (Cu)       |
| St George Mining Ltd                 | Hot Chilli Ltd (Cu)            |
| Blackstone Minerals Ltd              | Heron Resources Ltd (Zn)       |
| Centaurus Metals Ltd                 | Venturex Resources Ltd (Cu)    |
| Panoramic Resources Ltd              | Red River Resources Ltd (Zn)   |
| Metals X Ltd                         | New Century Resources Ltd (Zn) |
| Lithium Companies                    | Adriatic Metals PLC (Zn)       |
| Clean TeQ Holdings Ltd               | Sandfire Resources Ltd (Cu)    |
| Pilbara Minerals Ltd                 |                                |
| Orocobre Ltd                         |                                |
| Galaxy Resources Ltd                 |                                |
| Altura Mining Ltd                    |                                |

The outstanding Performance Rights at the end of the year were:

| Tranche                   | Grant Date | Expiry Date | Fair Value at Grant Date \$ | Estimated number of Performance Rights |                  |                                  |         |                  |
|---------------------------|------------|-------------|-----------------------------|--|------------------|----------------------------------|---------|------------------|
|                           |            |             |                             | Opening balance                        | Granted          | Satisfied by allotment of shares | Expired | Closing balance  |
| TSR – MD <sup>1</sup>     | 31 Mar 21  | 30 Jun 22   | 0.089                       | -                                      | 2,564,103        | -                                | -       | 2,564,103        |
| Revenue – MD <sup>1</sup> | 31 Mar 21  | 30 Jun 22   | 0.089                       | -                                      | 1,282,051        | -                                | -       | 1,282,051        |
| BSO – MD <sup>1</sup>     | 31 Mar 21  | 30 Jun 22   | 0.089                       | -                                      | 1,282,051        | -                                | -       | 1,282,051        |
| TSR                       | 31 Mar 21  | 30 Jun 22   | 0.057                       | -                                      | 1,341,270        | -                                | -       | 1,341,270        |
| Revenue                   | 31 Mar 21  | 30 Jun 22   | 0.057                       | -                                      | 670,635          | -                                | -       | 670,635          |
| BSO                       | 31 Mar 21  | 30 Jun 22   | 0.057                       | -                                      | 670,635          | -                                | -       | 670,635          |
| DFS                       | 31 Mar 21  | 30 Jun 22   | 0.057                       | -                                      | 250,000          | -                                | -       | 250,000          |
| Cost savings              | 31 Mar 21  | 30 Jun 22   | 0.057                       | -                                      | 250,000          | -                                | -       | 250,000          |
|                           |            |             |                             |  | <b>8,310,745</b> |                                  |         | <b>8,310,745</b> |

<sup>1</sup> These performance rights have been issued to Mr Harold (MD/CEO) and are subject to shareholder approval at the AGM in November 2021. For financial reporting purposes they have been valued at 30 June 2021.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 6.2 Financial risk management

#### ACCOUNTING POLICY

##### Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in the Statement of Financial Position in accordance with AASB 9 Financial Instruments:

- ‘Financial assets at fair value through other comprehensive income;
- ‘Financial assets/ financial liabilities at fair value through profit or loss’ – separately disclosed as derivative financial instruments in assets/liabilities and included in non-current other payables; and
- ‘Financial assets/ financial liabilities measured at amortised cost’ – separately disclosed as borrowings and trade and other payables.

Judgement is required when determining the appropriate classification of the Group’s financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note.

##### Recognition and de-recognition of financial assets and liabilities

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the Statement of Financial Position when contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

#### Overview

The Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group’s exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The board has established the Audit and Risk Management Committee which is responsible for developing and monitoring the Group’s risk management policies. The committee reports regularly to the board on its activities.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Audit and Risk Management Committee oversees how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

# Poseidon Nickel Limited

## Notes to the consolidated financial statements

### 6.2 Financial risk management (continued)

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

#### Investments, banks and financial institutions

The Group limits its exposure to credit risk by only transacting with high credit quality financial institutions. The Group had cash and cash equivalents of \$7,903,000 (2020: \$45,236,000), investments in term deposits of \$36,000 (2020: \$12,000), a security deposit of \$3,500,000 (2020: \$3,500,000) and other assets that were held with bank and financial institution counterparties which are rated A to AA-, based on Standard and Poor's ratings.

#### Trade and other receivables

As the Group operates in the mining exploration sector, the Group generally does not have trade receivables (only interest income, fuel tax and GST), therefore is not generally exposed to credit risk in relation to trade receivables. The Group however, provides security deposits as part of its exploration activities which exposes the Group to credit risk.

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the reporting date there are generally no significant concentrations of credit risk. As the Group has no sales revenue there are no financial assets past due and there is no management of credit risk through performing an aging analysis, therefore an aging analysis has not been disclosed.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also manages liquidity risk by producing monthly cash-flow forecasts for the current and future financial year to ensure that there is a clear and up-to-date view of the short term to medium term funding requirements. These are regularly reviewed by management and the board where the implications on funding requirements and the possible sources of those funds are discussed, decisions taken when necessary and action taken to secure funding if required.

The Group manages liquidity risk by maintaining adequate reserves through continuous monitoring of forecast and actual cash flows. The Group has a policy of raising both convertible debt and equity fundraising in order to manage its liquidity risk.

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

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Notes to the consolidated financial statements

6.2 Financial risk management (continued)

Liquidity risk (continued)

Consolidated

30 June 2021

| <i>In thousands of AUD</i> | Carrying amount | 6 months or less | Contracted  |           |           |                   |
|----------------------------|-----------------|------------------|-------------|-----------|-----------|-------------------|
|                            |                 |                  | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| Trade and other payables   | 2,638           | 2,638            | -           | -         | -         | -                 |
| Lease liabilities          | 659             | 75               | 77          | 156       | 381       | -                 |
|                            | 3,297           | 2,713            | 77          | 156       | 381       | -                 |

Consolidated

30 June 2020

| <i>In thousands of AUD</i>    | Carrying amount | 6 months or less | Contracted  |           |           |                   |
|-------------------------------|-----------------|------------------|-------------|-----------|-----------|-------------------|
|                               |                 |                  | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| Trade and other payables      | 1,729           | 1,729            | -           | -         | -         | -                 |
| Convertible note <sup>1</sup> | 24,716          | 25,987           | -           | -         | -         | -                 |
|                               | 26,445          | 27,716           | -           | -         | -         | -                 |

1. The maturity analysis has assumed the earliest contractual maturity of the convertible note for a payment in cash. Interest on the convertible note can be settled in shares at the Group's discretion. As such, no interest payments have been included in the analysis.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) Currency risk

The functional currency of the entities within the Group is the Australian dollar (AUD). During the year the Group was exposed to currency risk on borrowings that were denominated in the United States dollar (USD). As these borrowings were repaid in full during the year, the Group had no exposure to foreign currency risk at 30 June 2021.

The Group's exposure to foreign currency risk at 30 June 2020 was as follows:

| <i>In thousands of AUD</i>                     | 30 June 2020 |          |
|--|--------------|----------|
|  | AUD          | Total    |
| Convertible note derivative                    | -            | -        |
| Convertible note liability                     | (24,716)     | (24,716) |
| Gross statement of financial position exposure | (24,716)     | (24,716) |

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.2 Financial risk management (continued)

##### Market risk (continued)

##### (a) Currency risk (continued)

##### **Sensitivity analysis**

The following sensitivities were applied for 2020 based upon published 12 month forward rates:

- A 2% weakening of AUD against the USD with the equal effect in the opposite direction will increase the fair value of the convertible note liability by \$488,200.

##### (b) Interest rate risk

The Group is exposed to interest rate risk due to variable interest being earned on its interest bearing bank accounts.. 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 Group's interest-bearing financial instruments was:

| <i>In thousands of AUD</i>             | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| <b>Fixed rate instruments</b>          |             |             |
| Cash and cash equivalents              | -           | 45,000      |
| Other investments – term deposits      | 36          | 12          |
| Lease liabilities                      | 659         | -           |
| Convertible note liability             | -           | 24,716      |
| <i>In thousands of AUD</i>             |             |             |
| <b>Variable rate instruments</b>       |             |             |
| Cash and cash equivalents              | 7,903       | 236         |
| Security deposits – environmental bond | 3,500       | 3,500       |

##### **Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss.

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

As at 30 June 2021 and 2020 a sensitivity analysis has not been disclosed in relation to the floating interest deposits as the results have been determined to be immaterial to the Statement of Profit or Loss and Other Comprehensive Income.

##### (c) Equity price risk

As at 30 June 2021 the Group is not exposed to any equity price risk on its financial liabilities and equity 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.

Poseidon Nickel Limited  
Notes to the consolidated financial statements

**6.2 Financial risk management (continued)**

**Market risk (continued)**

**(c) Equity price risk (continued)**

**Fair values**

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

| <i>In thousands of AUD</i>   | Level   | Carrying amount |        | Fair value |        |
|--|---------|-----------------|--------|------------|--------|
|  |         | 2021            | 2020   | 2021       | 2020   |
| <b>Financial assets &amp; liabilities not measured at fair value</b> |         |                 |        |            |        |
| Convertible note liability   | Level 2 | -               | 24,716 | -          | 24,476 |

**Fair value hierarchy**

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

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

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

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

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

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.3 Related parties

The key management personnel compensation included in 'personnel expenses' (note 2.3) and 'share based payments' (note 6.1), is as follows:

| <i>In thousands of AUD</i>   | <b>2021</b>  | <b>2020</b>  |
|------------------------------|--------------|--------------|
| Short-term employee benefits | 1,177        | 973          |
| Other long-term benefits     | 69           | 34           |
| Post-employment benefits     | 82           | 56           |
| Share-based payments         | 301          | 13           |
| Termination benefits         | -            | -            |
|                              | <b>1,629</b> | <b>1,076</b> |

#### Individual directors and executives compensation disclosures

Information regarding individual directors and executive's remuneration and some equity instruments disclosures as required by S300A of the Corporations Act and Corporations Regulations 2M.3.03 are provided in the Remuneration report section of the Directors' report in section 7.3.

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

#### Other transactions with key management personnel and their related parties

Director fees for Ms Gooding are payable to Wyloo Metals Pty Ltd. Amounts recognised in respect of director fees for the financial year were \$74,088 (2020: \$74,088).

Director fees for Mr Hildebrand are payable to Orchard Lane Holdings. Amounts recognised in respect of director fees for the financial year were \$64,088 (2020: nil).

Unearthed Geological Consulting, a company related to Mr Muccilli, received aggregate fees in the period of \$21,905 relating to the provision of consultancy services for the year ended 30 June 2021 (2020: nil)

Director fees for Mr Paganin were payable to Icon Advisory Pty Ltd. Amounts recognised in respect of director fees for the prior financial year were \$74,088.

DNR Consulting, a company related to Mr Riekie, received aggregate fees in the prior period of \$315,456 relating to the provision of consultancy services for the year ended 30 June 2020. This is inclusive of his fees of \$211,500 received whilst appointed as Interim CEO of the Company.

#### Other related party transactions

During the year Black Mountain Metals Pty Ltd ("BMM"), a major shareholder of the Group, was paid \$82,389 (2020: \$72,009) for the provision of consultancy services in regards to technical studies conducted on the Group's mining assets.

During the year the Group also repaid the convertible note it had with the noteholder BMM for an amount of US\$17,500,000.

Transactions with the related parties were made on commercial terms and at market rates.

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.4 Group entities

##### Significant subsidiaries

| Parent entity                               | Country of incorporation | Ownership interest |      |
|---|--------------------------|--------------------|------|
|   |                          | 2021               | 2020 |
| Poseidon Nickel Limited                     |                          |                    |      |
| <b>Significant subsidiaries</b>             |                          |                    |      |
| Poseidon Nickel Atlantis Operations Pty Ltd | Australia                | 100%               | 100% |
| Western Nickel Limited                      | Australia                | 100%               | 100% |

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

#### 6.5 Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2021 the parent company of the Group was Poseidon Nickel Limited.

*In thousands of AUD*

##### Results of the parent entity

|                                       | 2021     | 2020     |
|---------------------------------------|----------|----------|
| Loss for the year                     | (10,933) | (12,852) |
| Total comprehensive loss for the year | (10,933) | (12,852) |

##### Financial position of the parent entity at year end

|                     |         |         |
|---------------------|---------|---------|
| Current assets      | 8,819   | 45,881  |
| Total assets        | 124,939 | 139,658 |
| Current liabilities | 6,372   | 30,152  |
| Total liabilities   | 64,810  | 78,387  |

##### Total equity of the parent entity comprising of:

|                              |               |               |
|------------------------------|---------------|---------------|
| Share capital                | 238,266       | 228,796       |
| Share based payments reserve | 336           | 15            |
| Accumulated losses           | (178,473)     | (167,540)     |
| <b>Total equity</b>          | <b>60,129</b> | <b>61,271</b> |

##### Exploration expenditure commitments of the parent

|                            |               |               |
|----------------------------|---------------|---------------|
| Less than one year         | 1,652         | 1,667         |
| Between one and five years | 6,319         | 6,381         |
| More than five years       | 8,823         | 10,401        |
|                            | <b>16,794</b> | <b>18,449</b> |

## Poseidon Nickel Limited

### Notes to the consolidated financial statements

#### 6.6 Subsequent events

On 23 July 2021 the Company announced it had completed the Definitive Feasibility Study (DFS) of the Windarra Tailings Project, which demonstrated a robust and profitable project in retreating the gold tailings at Windarra and Lancefield.

Subsequent to year end the Company raised \$22 million (before costs) through a private placement of ordinary shares and raised a further \$6 million under a share purchase plan.

#### 6.7 Auditor's remuneration

| <i>In AUD</i>                         | 2021   | 2020   |
|---------------------------------------|--------|--------|
| Audit services                        |        |        |
| Auditors of the Group – KPMG          |        |        |
| Audit and review of financial reports | 63,906 | 63,750 |
|                                       | 63,906 | 63,750 |
| Services other than statutory audit   |        |        |
| Form 5 audit                          | 15,525 | -      |
|                                       | 79,431 | 63,750 |

#### 6.8 New Accounting Standards and Interpretations adopted from 1 July 2020

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the Group and effective for annual reporting periods beginning on or after 1 July 2020 and has determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Group's accounting policies.

## Poseidon Nickel Limited Directors' declaration

1. In the opinion of the directors of Poseidon Nickel Limited ("the Company"):
  - (a) the consolidated financial statements and notes that are set out on pages 20 to 52 are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director/Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.
3. The directors draw attention to note 1.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



**Mr P Harold**  
**Managing Director/CEO**

Perth  
23 September 2021



# Independent Auditor's Report

To the shareholders of Poseidon Nickel Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of Poseidon Nickel Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the **Group's** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2021;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

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

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

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**Exploration and Evaluation Expenditure (A\$87.4m)**

Refer to Note 3.1 Exploration and evaluation expenditure to the Financial Report

| The key audit matter  | How the matter was addressed in our audit  |
|---|--|
| <p>Exploration and evaluation expenditure capitalised (E&amp;E) is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the activity to the Group’s business and the balance (being 70% of total assets); and</li> <li>• The greater level of audit effort to evaluate the Group’s application of the industry specific accounting standard AASB 6 Exploration for and Evaluation of Mineral Resources, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&amp;E. Given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group’s determination of no impairment indicators.</li> </ul> <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> <li>• The determination of the areas of interest (areas);</li> <li>• The documentation available regarding rights to tenure and compliance with relevant conditions to maintain current rights to an area of interest;</li> <li>• The authoritative nature of external registry sources;</li> <li>• The Group’s intention and capacity to continue the relevant E&amp;E activities; and</li> <li>• The Group’s determination of E&amp;E recovery through successful development and exploitation of the area of interest, or alternatively, by its sale.</li> </ul> <p>In assessing the presence of impairment indicators, we focused on those which may draw into question the commercial continuation of E&amp;E activities for areas of interest where significant capitalised E&amp;E exists. In addition to the assessments above, we paid particular attention to:</p> <ul style="list-style-type: none"> <li>• The impact of the ongoing volatility in the nickel market and prices on the Group’s strategy and intentions; and</li> </ul> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating the Group’s accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard;</li> <li>• We assessed the Group’s determination of its areas of interest for consistency with the definition in the accounting standard;</li> <li>• For each area of interest, we checked the Group’s current rights to tenure to government registries. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses;</li> <li>• We evaluated the Group’s assessment of prospectivity for consistency with their stated intentions for continuing E&amp;E in its areas of interest. We assessed this through interviews with key operational and finance personnel. The Group documents we evaluated included: <ul style="list-style-type: none"> <li>– Internal budgets.</li> <li>– Minutes of board meetings.</li> <li>– Announcements made by the Group to the Australian Securities Exchange.</li> </ul> </li> <li>• We tested additions to E&amp;E in the year by evaluating a statistical sample for consistency to underlying records, the capitalisation requirements of the Group’s accounting policy and the requirements of the accounting standard.</li> </ul> |



|   |  |
|---|--|
| <ul style="list-style-type: none"> <li>The Group's assessment of prospectivity for areas of interest and the associated strategy, intention and capacity of the Group for the continuation of E&amp;E activities in those areas of interest.</li> </ul> <p>These assessments can be inherently difficult, particularly with volatile market conditions such as those currently being experienced in the nickel industry.</p>  |  |
| <b>Site Rehabilitation Provisions (A\$61.5m)</b>  |  |
| Refer to Note 3.5 Provisions to the Financial Report  |  |
| <b>The key audit matter</b>   | <b>How the matter was addressed in our audit</b>   |
| <p>The determination of site rehabilitation provisions relating to Lake Johnston, Black Swan and Mt Windarra nickel exploration and evaluation assets is considered to be a key audit matter. This is due to the inherent complexity for the Group in estimating future environmental rehabilitation costs and for us in gathering persuasive audit evidence on the costs, particularly regarding those to potentially be incurred many years in the future.</p> <p>This is influenced by:</p> <ul style="list-style-type: none"> <li>The current environmental and regulatory requirements, and the impact on completeness of environmental rehabilitation activities incorporated into the provisions estimate; and</li> <li>The expected environmental management strategy, and the nature of costs incorporated into the provisions estimate.</li> </ul> <p>The expected timing of the expenditure, given the sites are on care and maintenance with no set timeline for commencement of mining activities.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Comparing the basis for recognition and measurement of the provisions for consistency with environmental and regulatory requirements and criteria in the accounting standards;</li> <li>Assessing the Group's determination of future required activities, their timing, and associated cost estimations contained within the provisions. We did this by comparing to the Group's external expert reports as well as Group prepared documentation across the sites where future obligations exist. These comparisons included unit costs, levels of disturbance and relevant regulatory requirements. We did this with an understanding of the Group's strategy for each site;</li> <li>Comparing inflation and discount rate assumptions to market observable data, including risk free rates;</li> <li>Assessing the competence, scope and objectivity of the Group's external experts used in determination of the provisions estimate; and</li> <li>Evaluating the completeness of the provisions to include each area of interest where disturbance requires rehabilitation based on our understanding of the Group's operations.</li> </ul> |



## Other Information

Other Information is financial and non-financial information in Poseidon Nickel Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our Auditor's Report.



## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Poseidon Nickel Limited for the year ended 30 June 2021, complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 11 to 17 of the Directors' Report for the year ended 30 June 2021.

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

KPMG

Graham Hogg

*Partner*

Perth

23 September 2021



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Poseidon Nickel Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Poseidon Nickel Limited for the financial year ended 30 June 2021 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 of 'KPMG' in blue ink.

KPMG

A handwritten signature in blue ink that appears to read 'G + H'.

Graham Hogg

*Partner*

Perth

23 September 2021

## 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 17 September 2021.

#### A. Distribution of equity securities

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

|                  | Class of equity security |                            |
|------------------|--------------------------|----------------------------|
|                  | Number of Holders        | Fully Paid Ordinary Shares |
| 1 – 1,000        | 185                      | 71,577                     |
| 1,001 – 5,000    | 628                      | 2,398,555                  |
| 5,001 – 10,000   | 1,397                    | 11,975,582                 |
| 10,001 – 100,000 | 6,046                    | 260,144,518                |
| 100,001 and over | 2,693                    | 2,789,369,294              |
|                  | <b>10,949</b>            | <b>3,063,959,526</b>       |

There were 817 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 |
| Tattarang Pty Ltd <Peepingee A/C>                              | 357,378,337          | 11.66                       |
| Edison Metals Pty Ltd  | 337,451,804          | 11.01                       |
| HSBC Custody Nominees (Australia) Limited                      | 87,363,175           | 2.85                        |
| BNP Paribas Noms Pty Ltd <DRP>                                 | 67,845,169           | 2.21                        |
| Ms Danielle Sharon Tudehope                                    | 65,000,000           | 2.12                        |
| J P Morgan Nominees Australia Limited                          | 61,441,318           | 2.01                        |
| Citicorp Nominees Pty Limited                                  | 56,670,640           | 1.85                        |
| BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client<br>DRP> | 47,339,640           | 1.55                        |
| Mr David Norman Deitch   | 37,931,607           | 1.24                        |
| BNP Paribas Nominees Pty Ltd ACF Clearstream                   | 34,895,434           | 1.14                        |
| Farjoy Pty Ltd   | 33,477,538           | 1.09                        |
| Brispot Nominees Pty Ltd <House Head Nominee A/c>              | 30,246,319           | 0.99                        |
| Edison Metals Pty Ltd  | 26,427,019           | 0.86                        |
| Xue Investments Pty Limited <Xue Family A/c>                   | 24,392,022           | 0.80                        |
| Indermaur Pension Fund Pty Ltd <Indermaur Pension A/c>         | 24,288,593           | 0.79                        |
| Mrs Rena Elizabeth Indermaur                                   | 24,006,781           | 0.78                        |
| CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd<br>13 A/c> | 18,377,497           | 0.60                        |
| BNP Paribas Nominees Pty Ltd Six Sis Ltd < DRP A/c>            | 16,332,733           | 0.53                        |
| Mr Rodney Max Grillmeier                                       | 15,000,000           | 0.49                        |
| Mr Gregory Giannopoulos  | 13,000,000           | 0.42                        |
| <b>Total</b>   | <b>1,378,865,626</b> | <b>44.99</b>                |

Poseidon Nickel Limited  
ASX Additional information (continued)

**C. Substantial holders**

Substantial holders in the company are set out below:

|                                   | <b>Number held</b> | <b>Percentage</b> |
|-----------------------------------|--------------------|-------------------|
| <b>Ordinary shares</b>            |                    |                   |
| Black Mountain Metals Pty Ltd     | 363,878,823        | 11.87             |
| Tattarang Pty Ltd <Peepingee A/C> | 357,378,337        | 11.66             |

**D. Unquoted equity security holders (as at 17 September 2021)**

|  | <b>Number held</b> |
|--|--------------------|
| <b>Unlisted Options</b>                              |                    |
| - exercisable at \$0.10 and expiring 1 December 2022 | 1,000,000          |
| - exercisable at \$0.13 and expiring 1 December 2023 | 1,000,000          |
| - exercisable at \$0.0375 and expiring 3 March 2025  | 3,000,000          |
| - exercisable at \$0.0525 and expiring 3 March 2025  | 3,000,000          |

**E. Voting Rights**

**Ordinary shares**

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

- (a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each Fully Paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote per share, but in respect of Partly Paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

Poseidon Nickel Limited  
ASX Additional information (continued)

**F. Schedule of Tenements**

| <b>Areas of Interest</b>      | <b>Tenements</b>   | <b>Economic Entity's Interest</b> |
|-------------------------------|--|-----------------------------------|
| <b>Western Australia</b>      |  |                                   |
| - Windarra Nickel Assets      | MSA38/261, G38/21, L38/121, L39/184, L38/199, L38/218, L39/221   | 100%                              |
| - Windarra South              | L38/119, L38/122, L38/220  | 100%                              |
| - Woodline Well               | M39/1075, L39/224  | 100%                              |
| - Pool Well                   | M38/1244, M38/1245, L38/118  | 100%                              |
| - Lake Johnston Nickel Assets | E63/1067, G63/0008, G63/0005, L63/0051, L63/0052, L63/0055, L63/0057, M63/0163, M63/0282, M63/0283, M63/0284, M63/0292, M63/0293, M63/0294, M63/0522, M63/0523, M63/0524, E63/1784 | 100%                              |
| - Black Swan Nickel Assets    | G27/0002, M27/0039, M27/0200, M27/214, M27/0216, L27/0057, L27/0058, L27/0059, L27/0074, L27/0075, L27/0077, L27/0078, L24/0219, L24/0222  | 100%                              |

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