

6 November 2023

## Letter to shareholders

Dear Shareholder,

I write to introduce myself as the newly appointed Chief Executive Officer of Poseidon Nickel and to provide you with an update of the Company's strategy. I am a mining engineer with almost 30 years of operational and corporate experience across various roles, commodities, and jurisdictions. My modus operandi is integrity, credibility and respect and I work hard to build mutually beneficial relationships with employees, business partners, traditional owners, investors and you, our shareholders.

My strategy for the Company is threefold:

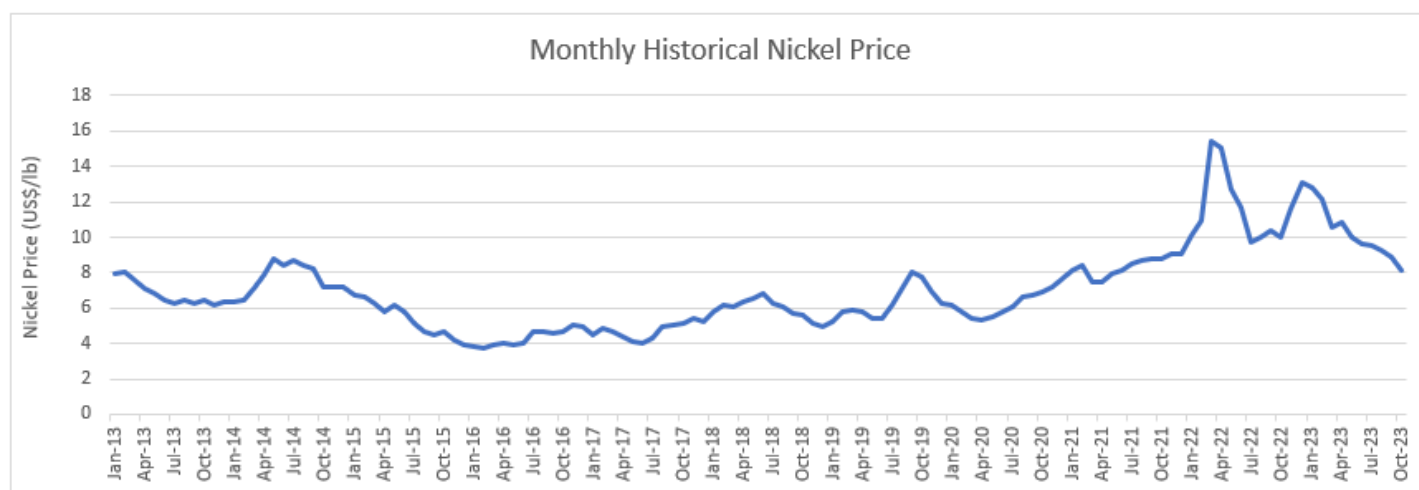
- developing a pathway to production;
- targeted exploration to grow our resources; and
- business development opportunities where we can take advantage of our strategic resources and infrastructure.

My strategy aligns with the Company's stated objectives and some of the key points with regards to our assets and strategy are:

- Developing a pathway to production
  - In relation to the Black Swan Operations, it is imperative that we gain a thorough understanding of our orebodies (Black Swan, Silver Swan, and Golden Swan) before any decision is made to restart. This is critical to the future success of the operation. The Company has made major steps forward in this regard with the completion of significant resource definition drilling programs for each orebody. These programs have not only confirmed the grade continuity and key geo-metallurgy parameters for each ore source, but we have also reported a material increase of higher confidence Indicated and Measured Resources inventories.
  - Ensuring an intimate understanding of our orebodies will provide us with the ability to make on specification concentrate, on time and at budgeted costs and deliver that concentrate in the tonnages we agree with our customer(s). This is critical to the success of the Black Swan Operations.
  - I am committed to building credibility and to delivering on what we say we will do. To do so gains respect and support with all our stakeholders. I do not intend to see us join the long list of projects in recent years that have struggled during ramp up and mine and process plant commissioning.
  - A supportive team with an educated shareholder base and a strong nickel price environment will give us every chance to succeed when the decision is made to restart. Preparing Black Swan for a restart will remain a key focus of mine and the executive team.
- Resource Growth
  - We have a wonderful opportunity to continue to organically explore on the tenements that we hold with multiple known targets identified. It has always been said that the best place to find more resources is in the same areas they have been found before.
  - I am committed to continuing exploration with well-prepared budgets to ensure shareholder funds are used effectively and appropriately to grow resources and ultimately bring them into a mine plan.
  - I am excited by what I see in relation to exploration targets and look forward to exploiting these opportunities and delivering value through the drill bit that should grow value and see our market capitalisation increase.

- Business Development
  - Our assets are strategically located within known nickel provinces where there are only limited opportunities to process ore to produce concentrates. Our two concentrators are well placed to process our own ore and third-party feeds.
  - I will be looking to leverage these assets to bring value to shareholders with potential business partners who can support growth with capital and/or additional feed.

As shareholders of a nickel development company, I am sure you appreciate that we require a strong nickel price if we are to move into production. In January 2013 the nickel price was around US\$8/lb and for the next eight years, until the start of the COVID19 pandemic in 2020, the price fluctuated between US\$4/lb and US\$9/lb with an average price over those eight years of around US\$6/lb.



Today, the nickel price is around US\$8/lb, close to where it was 10 years ago, however operating costs to extract a unit of nickel have continued to rise throughout the period to the point where today, we see the very high cost (and lack of availability) of labour, consumables and all the other inputs that have squeezed the margins of all nickel producers in Australia, even with the lower Australian dollar.

While the outlook for nickel demand is strong there has been some significant new production come on stream, especially from Indonesia in recent years and consequently it is difficult to forecast with any degree of confidence the short, medium or long term nickel price. Therefore, we must be prepared to take advantage of any upswing in the nickel price cycle when that occurs. In the meantime, we need to reduce our costs across the business, continue to prepare our assets for a start-up when the time is right and focus on our exploration and other business development opportunities. We have recently restructured and scaled down the board and management along with reducing ongoing operational and corporate costs.

Global events like the war in Ukraine and the unrest in the Middle East influence global economies which in turn affect the commodity markets. Growing demand for nickel in electric vehicles, more scrutiny of Indonesia’s nickel production from an ESG perspective and the impact of the US Inflation Reduction Act are expected to have a positive impact on the nickel price, and we look forward to taking advantage of that when it occurs. In the meantime, we must continue to be flexible and adaptable in our business plan to the environment we are in.

At the Annual General Meeting (AGM) on Wednesday 22 November you, our shareholders, have the opportunity to vote on the direction the Company is taking. A supportive shareholder base is crucial for me, the executive team, and the board, to ensure we can deliver on our strategy and grow the value of the business.

All resolutions put to the AGM require a vote and it is important you take the time to carefully read the resolutions and the accompanying explanatory notes before voting.

As most of you will be aware, a strike was received at the last AGM against the Remuneration Report for several reasons. The board and the executive have canvassed shareholders and are making changes to the remuneration structure going forward to address some of the issues raised. These changes will be advised to the shareholders once finalised. In addition, the executives and key management personnel have all elected not to accept their STI incentive payments for FY23 in support of the difficult times the Company and shareholders are experiencing.

I encourage you to please read the Notice of Meeting and the proposed resolutions and ensure that your votes will provide stability for your current management team to work towards achieving the stated goals in an efficient manner.

Finally, an update on the current work streams being progressed:

- The metallurgical test work is nearing completion confirming the variability and average recoveries of nickel for the smelter grade concentrate project. The locked cycle tests will be completed in the first quarter 2024. We continue to stay in close contact with the two shortlisted global offtake and funding partners who remain interested in receiving our nickel concentrate.
- The Expansion Project to process both the talc carbonate and serpentinite material is progressing well with some pleasing results regarding nickel extraction from samples of the rougher concentrate supplied to potential offtake partners. Nickel extraction of up to 95% has been reported through a high-pressure acid leach process and up to 96% through our pressure oxidation testwork program. These are pleasing results and will provide comfort and support for potential offtake partners to provide indicative payabilities for economic modelling. It is anticipated this work can be concluded by year end, subject to receiving the payability terms.
- Exploration results at Lake Johnston continue to be positive and the team is focusing their efforts on defining targets for high grade sulphide mineralisation. Maggie Hays West is looking exciting, with additional follow-up work underway including reviews of historical underground drilling information and alignment with surface mapping and geochemical results.
- An historical assessment of the potential for lithium across the tenements is also underway with validation of database records being the first step, this will be followed up with field reviews and an assessment with an expert in lithium exploration, a step not previously completed by Poseidon.
- We have also recently received our consultant Newexco's review of the exploration potential at Windarra which has highlighted some low-cost follow-up programs that can be undertaken to test known targets.
- The search for a partner interested in developing the gold tailings project continues along with additional positive testwork to improve gold recoveries given the recently improved gold price environment.

Operating in a cyclical industry we are beholden to the nickel price which we cannot control. Despite the current deflated nickel price environment, I am committed to growing Poseidon and will continue to lead the Company as a credible and responsible explorer, developer and ultimately, producer. I will seek to grow our assets by focusing on value-add initiatives which will build on our strategic pillars.

I appreciate the ongoing support of shareholders and encourage you to reach out and make contact at any time.

Yours sincerely,



**Craig Jones**

**Chief Executive Officer**