



POSEIDON

N I C K E L

POSEIDON NICKEL LIMITED

ABN 60 060 525 206

Interim Financial Report

For the six months ended 31 December 2022

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Poseidon Nickel Limited Corporate directory

ABN: 60 060 525 206
Incorporated in Australia

Non-Executive Directors

Mr Derek La Ferla
Mr Dean Hildebrand
Mr Peter Muccilli
Mr Warren Hallam

Managing Director & CEO

Mr Peter Harold

Joint Company Secretaries

Mr Brendan Shalders
Ms Andrea Betti

Registered Office

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West Perth WA 6005

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Postal Address

PO Box 190
West Perth WA 6872

Auditors to the Company

KPMG
Chartered Accountants
235 St George's Terrace
Perth WA 6000

Share Registry

Automic
Level 5, 191 St Georges Terrace
Perth WA 6000

ASX Code

Shares: POS

Country of Incorporation and Domicile

Australia

Poseidon Nickel Limited
Directors' report
For the six months ended 31 December 2022

The directors of Poseidon Nickel Limited ("Poseidon" or "the Company") present their report together with the condensed consolidated interim financial report for the six months ended 31 December 2022 and the auditor's review report thereon.

Contents of Directors' report

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

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Poseidon Nickel Limited
 Directors' report (continued)
 For the six months ended 31 December 2022

1. Directors

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

Name	Period of directorship
Mr Derek La Ferla <i>Independent Non-Executive Chairman</i>	Appointed 1 December 2019
Mr Peter Harold <i>Managing Director and CEO</i>	Appointed 3 March 2020
Mr Dean Hildebrand <i>Non-Executive Director</i>	Appointed 1 July 2020
Mr Peter Muccilli <i>Independent Non-Executive Director</i>	Appointed 3 August 2020
Mr Warren Hallam <i>Independent Non-Executive Director</i>	Appointed 1 June 2022

2. 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 of approximately 400,000 tonnes of contained metals, 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 over the first half of FY2023.

The nickel price continued to remain strong during the period, peaking at just over US\$14/lb in early December 2022. During first half FY2023 the Company completed and released the 1.1Mtpa Black Swan Bankable Feasibility Study (**BFS**) while continuing to progress the 2.2Mtpa Black Swan Expansion Project Feasibility Study. The BFS is based on the plan to mine ore from the Black Swan Disseminated (BSD) open pit (serpentinite ore only), Silver Swan and Golden Swan high-grade underground mines, supplemented with Silver Swan Tailings and existing surface stockpiles (disseminated serpentinite material) and process these feed sources through the existing concentrator.

Dewatering of the Black Swan open pit was completed during the period allowing for the commencement of resource drilling within the open pit. The 10,996 metre resource drilling program was recently completed subsequent to period end and the Company awaits assay results.

The Company signed a binding Heads of Agreement with Green Gold Project (GGP). The agreement provides GGP the opportunity to earn into the Windarra Gold Tailings Project with the Company retaining 8% of the project once various pre-conditions have been met. At Lake Johnston planning continued for the Western Ultramafic RC drilling program expected to commence in early 2023.

During the period the Company raised \$5.9 million (before costs) through a placement of ordinary shares to new and existing institutional, professional and sophisticated investors, as well as a further \$6 million via a share purchase plan.

Poseidon Nickel Limited
 Directors' report (continued)
 For the six months ended 31 December 2022

2. Operating and Financial Review (continued)

Projects – 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 and Golden Swan underground mines, Black Swan open pit, a 2.2Mtpa nickel sulphide concentrator and associated infrastructure. The operations at Black Swan remained on care and maintenance during the period.

1.1Mtpa Black Swan Bankable Feasibility Study

During the period the Company reached a significant milestone with the completion and release of the 1.1Mtpa Black Swan BFS. This project will produce a smelter grade concentrate from ore mined from the Black Swan Disseminated open pit (serpentinite ore only), Silver Swan and Golden Swan high-grade underground mines, supplemented with Silver Swan Tailings and existing surface stockpiles (disseminated serpentinite material) and will be processed through the existing concentrator and associated infrastructure. The total mine inventory is presented in Table 1.

TABLE 1: MINING INVENTORY FEED SOURCES TO PROCESSING FACILITY

Feed Source	JORC Compliance	Feed Tonnage (Mt)	Nickel Grade	Contained Nickel (kt)
Black Swan Disseminated	Proved & Probable Reserves ³	3.3	0.7%	22.1
Silver Swan		0.2	5.0%	9.0
Golden Swan		0.1	4.0%	4.0
Feed Source from Ore Reserve⁶		3.6	1.0%	35.1
Silver Swan Tailings	Measured Resource ²	0.4	0.9%	3.2
Existing Surface Stockpiles	Indicated Resource ²	0.6	0.5%	3.2
Existing Surface Stockpiles	Inferred Resource ²	0.4	0.5%	2.0
Feed Source from Mineral Resources		1.4	0.6%	8.4
Total feed sources¹		5.0	0.9%	43.5

1. Rounding of numbers may result in slight differences in calculated and cumulative numbers.

The study is based on refurbishing and operating the existing 2.2Mtpa processing capacity plant at a processing rate of 1.1Mtpa to align with the available processing mine inventory of 5.0Mt, presenting a post development project life of four years. Plant refurbishment and mine development works are expected to take about 11 months.

Over the life of the project, the Black Swan Project will produce 200kt of smelter grade concentrate averaging 15% nickel containing ~30kt of nickel from the various feed sources representing an average metal recovery of 68%.

Poseidon Nickel Limited
 Directors' report (continued)
 For the six months ended 31 December 2022

2. Operating and Financial Review (continued)

Mineral Resource updates following the resource drilling of the BSD, Silver Swan and Golden Swan resources, the release of the Maiden Resource for the Silver Swan Tailings, plus the inclusion of the surface BSD ore stockpiles, results in a total combined Mineral Resource for the Black Swan Project of 31.5Mt averaging 0.68% Ni for 214kt of contained nickel. The Black Swan Project Mineral Resource is summarised in Table 2.

TABLE 2: BLACK SWAN PROJECT MINERAL RESOURCE INVENTORY (NOVEMBER 2022)

Nickel Sulphide Resources	JORC Compliance	Cut Off Grade	BLACK SWAN PROJECT MINERAL RESOURCE SUMMARY												
			MEASURED & INDICATED			INFERRED			TOTAL						
			Tonnes (Kt)	Ni% Grade	Ni Metal (t)	Tonnes (Kt)	Ni% Grade	Ni Metal (t)	Tonnes (Kt)	Ni% Grade	Ni Metal (t)	Co% Grade	Co Metal (t)	Cu% Grade	Cu Metal (t)
Black Swan	2012	0.4%	10,700	0.75	80,000	18,200	0.55	101,000	28,900	0.63	181,000	0.01	4,500	0.02	5,800
Silver Swan	2012	1.0%	138	9.00	12,450	8	6.00	490	146	8.80	12,940	0.16	240	0.36	530
Golden Swan	2012	1.0%	112	4.70	5,200	48	2.20	1,050	160	3.90	6,250	0.08	120	0.30	480
Silver Swan Tailings	2012	NA	675	0.92	6,200	-	-	-	675	0.92	6,200	0.07	460	0.04	270
Sub-Total Ni, Co, Cu Resources	2012		11,625	0.90	103,850	18,260	0.60	102,540	29,880	0.69	206,390	0.02	5,320	0.02	7,080
Stockpiles	2012	0.4%	1,200	0.49	5,900	400	0.53	1,900	1,600	0.5	7,800	NA	NA	NA	NA
Total Ni Resources	2012		12,825	0.86	109,750	18,660	0.56	104,440	31,480	0.68	214,190	-	-	-	-

Note: totals may not sum exactly due to rounding. NA = Information Not Available from reported resource model. Refer to Appendix 1 for the Black Swan Project Nickel Mineral Resources Statement

Conversion of Resources to Reserves for the BFS was contingent on feeding material types to the concentrator which are amenable to producing a smelter grade concentrate with an MgO content and Fe:MgO ratio that is suitable for potential offtake partners. Producing a conventional smelter grade concentrate limits the amount of combined Mineral Reserves that can be processed to the Measured and Indicated Resources of Silver Swan and Golden Swan and the serpentinite ore type in the BSD Measured and Indicated Resources which contains the appropriate lower MgO grades. The resulting Mineral Reserve for the 1.1Mtpa smelter grade concentrate project is presented in Table 3.

TABLE 3: 2022 BLACK SWAN PROJECT ORE RESERVE ESTIMATE

	JORC Compliance	Nickel Sulphide Reserves			
			Tonnes (Kt)	Ni% Grade	Ni Metal (kt)
BLACK SWAN PROJECT					
Black Swan Disseminated	2012	Proved	579	0.7	4.2
		Probable	2,608	0.7	17.7
Silver Swan	2012	Proved	-	-	-
		Probable	179	5.0	9.0
Golden Swan	2012	Proved	-	-	-
		Probable	100	4.0	4.0
Total Ni Reserves	2012	Proved	579	0.7	4.2
		Probable	2,887	1.1	30.7
		Total	3,466	1.0	34.9

*Calculations have been rounded to the nearest 1,000t of ore, 0.1% Ni grade and 100t of metal. Refer to Appendix 2 for the Black Swan Project Nickel Mineral Reserves Statement

Poseidon Nickel Limited
 Directors' report (continued)
 For the six months ended 31 December 2022

2. Operating and Financial Review (continued)

As part of the BFS, significant technical work was undertaken to ensure that the quality of the nickel concentrate produced was acceptable to conventional nickel smelters. A significant breakthrough was achieved when this work indicated a high-quality concentrate could be produced with the addition of a rougher concentrate regrind stage and the blending of Silver Swan tailings into the processing feed.

The results of metallurgical tests which reflect the concentrate specifications for the BFS are summarised in Table 4. Results presented are typical range for each test.

TABLE 4: CONCENTRATE SPECIFICATIONS

Element	Unit	BSD Only	BSD + 7.5% Silver Swan Tailings + 5% Silver Swan
Ni	%	17.1	15.0
Cu	%	0.6	0.6
Co	%	0.5	0.4
MgO	%	5.7	4.4
Fe	%	25.9	29.6
Fe:MgO	Ratio	4.5	6.7
As	ppm	3,400	3,800
S	%	38.4	36.2

Within the current proposed 1.1Mtpa restart pit outline, a significant portion of the BSD Mineral Resource has not been converted to Mineral Reserves due to metallurgical constraints to produce a saleable concentrate, if treated. The more magnesium rich resources that are not converted to reserves is subject to ongoing assessment in the Expansion Project 2.2Mtpa Feasibility Study to produce a rougher concentrate. If study findings are positive, it would potentially convert a larger amount of the BSD Resource to Reserves and deliver a longer term project.

The BFS presents attractive economics assuming the Base Case economic assumptions of nickel price forward curves (as of 17th November 2022) for the initial operating period to December 2025, then a flat US\$10.00/lb and AUD:USD\$0.65 for the production period beyond this date. Forecast nickel price and foreign exchange rate by quarter are presented in Table 5.

TABLE 5: BASE CASE ECONOMIC INPUTS

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Concentrate Production	kt	-	17.7	61.3	57.7	43.8	15.4
Nickel Price	US\$/lb	12.15	12.58	12.18	10.00	10.00	10.00
AUD: USD rate	AUD: USD	0.68	0.68	0.68	0.70	0.70	0.70
Basis of assumption		Forward Curves ¹			Management Forecast ²		

- Nickel Price forward curves for 2023, 2024 and 2025 from LME website on close of Thursday 17th November 2022 inputted as Year 1, Year 2 and Year 3 respectively. AUD:USD forward curves inputted from an external source based on close of Thursday 17th November 2022.
- Management estimate for period beyond forward curve inputs is US\$10.00/lb nickel price and AUD:USD \$0.70. Management has conservatively estimated these economic inputs based on expected nickel pricing to support the projected nickel demand over the medium term. Alternative upside nickel pricing scenarios have been considered based on positive outlook for nickel, see below.

Poseidon Nickel Limited
 Directors' report (continued)
 For the six months ended 31 December 2022

2. Operating and Financial Review (continued)

Assuming Base Case nickel price and foreign exchange inputs, the economic outcomes for the BFS are presented in Table 6. All economic outcomes are presented in Australian dollars unless specified otherwise.

TABLE 6: PROJECT BASE CASE PRE-TAX ECONOMIC EVALUATION SUMMARY

Economic Outputs	Base Case
Revenue	\$809M
Operating Costs	\$483M
Pre-production Capital Expenditure	\$50M
Net Cash Flow	\$227M
Pre-tax NPV₈¹	\$167M
IRR	86%
Payback Period ²	1.3 years
C1 Cash Cost ³	US\$4.56/lb
AISC Cash Cost ⁴	US\$4.90/lb
Average Ni price	US\$11.6/lb
Average FX (USD/AUD)	0.69

1. NPV is based on real cash flow forecasts and represents value as at projected start date of concentrator refurbishment being 1 July 2023.
2. Period post completion of concentrator refurbishment.
3. C1 cash costs include operating cash costs including mining, processing, geology, OHSE, site G&A, concentrate transport, less by-product divided by nickel in concentrate produced (100% basis before smelter deductions). Excludes development and sustaining capex, pre-production costs and royalties.
4. AISC - are C1 cash costs plus royalties and sustaining capital. Excludes development capital and preproduction costs.

Black Swan Expansion Project Feasibility Study

The Company continues to progress the Black Swan Expansion Project Feasibility Study which will produce a rougher concentrate that will contain a lower nickel grade and higher magnesium oxide content which could be processed via a high-pressure acid leach (HPAL) or pressure oxidation (POX) plant. The benefit of the Expansion Project is that the annual production of nickel concentrate would increase by operating the mill at nameplate capacity (2.2Mtpa) and the mine life could be extended due to the ability to treat talc carbonate material which is not included in the Current Ore Reserves thereby enhancing the economics of the project.

Some of the work undertaken for the BFS released in November 2022 has been able to be used for the Expansion Project. Work required to complete the Expansion Project study includes further metallurgical testwork to confirm the grade and recovery of the rougher concentrate as well as additional flotation testwork on varying feed grades and blend ratios of the serpentinite and talc carbonate ores to confirm the optimum grade versus recovery curve.

Offtake and Financing

During the period the Company issued further information to parties that had previously expressed an interest in offtake and/or project financing. The Company has subsequently shortlisted these parties to a select group and is currently moving forward with detailed due diligence including access to the data room and site visits. The aim is to have both offtake and project financing concluded early in the June 2023 quarter so that Final Investment Decision (FID) can be made during that quarter.

Poseidon Nickel Limited
Directors' report (continued)
For the six months ended 31 December 2022

2. Operating and Financial Review (continued)

Black Swan Restart Activities

During the period the dewatering of the Black Swan open pit was completed allowing the Company to commence an 11,000 metre RC drilling program into the Black Swan Disseminated resource to further convert Inferred Resources to the Indicated classification. The open pit will now only require minimal works to restart operations, which are expected to be completed during the final stages of the plant refurbishment.

Projects - Lake Johnston

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

During the period the Company was awarded a Western Australian State Government grant of \$180,000 for a systematic RC drilling program on the Western Ultramafic Unit which is expected to commence in early 2023. Other activities that occurred during the period included the continuation of discussions with the Lake Johnston native title party to update the Heritage agreement as well as the completion of the re-logging of historic drill holes and the completion of the surface geophysics review.

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

Projects – Windarra

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 primarily within the Mt Windarra (71.5kt) and Cerberus (69kt) deposits. The Windarra Nickel Project remains on care and maintenance.

Windarra Gold Tailings

During the period the Company entered into a Heads of Agreement with Green Gold Projects Pte Ltd (GGP) whereby GGP will develop and operate the gold tailings project and Poseidon can retain an 8% free carried interest, subject to certain conditions precedent being satisfied. GGP have been granted a three-month extension to 30 April 2023 to complete their metallurgical testwork, the results of which will dictate whether a full feasibility study is then undertaken by GGP.

Financial Position

For the six months ended 31 December 2022 the Group incurred a loss of \$5,827,000 (2021: loss \$5,871,000) and had a net working capital surplus of \$13,320,000 (30 June 2022: surplus \$9,684,000).

The Group had a net cash outflow from operating activities of \$5,173,000 (2021: outflow \$5,759,000), a net cash outflow from investing activities of \$2,651,000 (2021: outflow \$6,928,000) and a net cash inflow from financing activities of \$11,449,000 (2021: inflow \$26,730,000). 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 for exploration and evaluation activities while the financing cash inflow reflects the proceeds received from the capital raise. The Group held cash and cash equivalents of \$14,714,000 at 31 December 2022 (30 June 2022: \$11,089,000).

In December 2022, the Company raised \$5.9 million (before costs) through a placement of ordinary shares to new and existing institutional, professional and sophisticated investors, as well as a further \$6 million via a share purchase plan.

Poseidon Nickel Limited
Directors' report (continued)
For the six months ended 31 December 2022

2. Operating and Financial Review (continued)

The Directors have reviewed a cash flow forecast for the next 12 months from the date of signing the financial report which demonstrates that the Group will have sufficient cash resources to continue as a going concern, subject to successful fund raising activities during the period.

Following the release of the 1.1Mtpa Black Swan Bankable Feasibility Study (BFS) during the first half of FY2023, Management is working towards a Final Investment Decision (FID) by June 2023 to restart the Black Swan operations. The BFS noted a funding requirement of at least \$90 million which the Company expects to fund through a combination of debt and equity financing. The Company commenced discussions with a number of parties over potential offtake and financing arrangements during December 2022. Indicative offers were received for offtake and/or project financing during January 2023, still subject to substantial conditions precedent and negotiation. The Company has short listed a group of offtakers who can also provide project debt finance and these parties are now progressing with detailed due diligence including access to an electronic data room and site visits. The aim is to have both offtake and project debt financing concluded during the fourth quarter of FY2023 so the FID can be made during that quarter. As the Company has not finalised an offtake and funding arrangement with any of these parties, material uncertainty remains on receiving funding for the project.

Alternatively, if the Company does not achieve FID to restart the Black Swan project and enter into sufficient funding arrangements for the project during the fourth quarter of FY23, then the Company will maintain the projects on a care and maintenance basis. In this scenario, the Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows for the next 12 months which incorporates raising additional funding through equity, debt or hybrid financing, joint venture type arrangements or other means to meet forecast minimum expenditure and maintain tenements and meet ongoing costs. The ability of the Group to achieve its forecast cashflows, being reliant on raising additional funds, represents material uncertainty that may cast significant doubt about whether the Group can continue as a going concern in which case it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

3. Dividends

No dividends were paid or proposed during the six months ended 31 December 2022.

4. Events subsequent to reporting date

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

5. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 13 and forms part of the directors' report for the six months ended 31 December 2022.

6. Rounding off

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

Signed in accordance with a resolution of the directors:



Mr P Harold
Managing Director/CEO

Perth
14 March 2023

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

To the Directors of Poseidon Nickel Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Poseidon Nickel Limited for the half-year ended 31 December 2022 there have been:

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

KPMG

KPMG

GL + 177

Graham Hogg
Partner
Perth
14 March 2023

Poseidon Nickel Limited
Condensed consolidated interim statement of financial position
As at 31 December 2022

In thousands of AUD

	Note	31 Dec 2022	30 Jun 2022
Assets			
Cash and cash equivalents		14,714	11,089
Trade and other receivables		1,016	861
Total current assets		15,730	11,950
Plant and equipment	3.1	24,927	24,760
Exploration and evaluation expenditure	3.1	101,677	99,940
Right-of-Use Assets		412	485
Other		3,500	3,500
Total non-current assets		130,516	128,685
Total assets		146,246	140,635
Liabilities			
Trade and other payables		1,922	1,891
Lease liabilities		150	147
Employee benefits		338	228
Total current liabilities		2,410	2,266
Provisions		62,114	62,467
Lease liabilities		296	372
Total non-current liabilities		62,410	62,839
Total liabilities		64,820	65,105
Net Assets		81,426	75,530
Equity			
Share capital	4.1	276,573	265,071
Reserves		862	641
Accumulated losses		(196,009)	(190,182)
Total equity attributable to equity holders of the Company		81,426	75,530

The condensed notes on pages 18 to 24 are an integral part of these condensed consolidated interim financial statements.

Poseidon Nickel Limited
 Condensed consolidated interim statement of profit or loss and other
 comprehensive income
 For the six months ended 31 December 2022

In thousands of AUD

	Note	31 Dec 2022	31 Dec 2021
Other income		306	421
Depreciation expense		(221)	(193)
Personnel expenses		(2,361)	(1,622)
Exploration and evaluation costs expensed	3.1	(2,274)	(2,916)
Consultancy and advisor fees		(560)	(658)
Share based payment expense	5.1	(221)	(358)
Other expenses		(591)	(551)
Results from operating activities		(5,922)	(5,877)
Finance income		100	12
Finance costs		(5)	(6)
Net finance income / (costs)	2.2	95	6
Loss before income tax		(5,827)	(5,871)
Income tax benefit		-	-
Total comprehensive loss for the period		(5,827)	(5,871)
Earnings per share			
Basic and diluted loss per share (cents/share)		(0.19)	(0.20)

The condensed notes on pages 18 to 24 are an integral part of these condensed consolidated interim financial statements.

Poseidon Nickel Limited

Condensed consolidated interim statement of changes in equity

For the six months ended 31 December 2021

In thousands of AUD

	Share Capital	Share based payment reserve	Accumulated losses	Total equity
Balance at 1 July 2021	238,266	336	(178,473)	60,129
Loss	-	-	(5,871)	(5,871)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(5,871)	(5,871)

Transactions with owners recorded directly in equity

Contributions by and distributions to owners

Issue of share capital (net of costs)	26,805	-	-	26,805
Issue of share options	-	46	-	46
Issue of performance rights	-	312	-	312
Total contributions by and distributions to owners	26,805	358	-	27,163
Balance at 31 December 2021	265,071	694	(184,344)	81,421

For the six months ended 31 December 2022

In thousands of AUD

	Share Capital	Share based payment reserve	Accumulated losses	Total equity
Balance at 1 July 2022	265,071	641	(190,182)	75,530
Loss	-	-	(5,827)	(5,827)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(5,827)	(5,827)

Transactions with owners recorded directly in equity

Contributions by and distributions to owners

Issue of share capital (net of costs)	11,502	-	-	11,502
Issue of share options	-	46	-	46
Issue of performance rights	-	175	-	175
Total contributions by and distributions to owners	11,502	221	-	11,723
Balance at 31 December 2022	276,573	862	(196,009)	81,426

The condensed notes on pages 18 to 24 are an integral part of these condensed consolidated interim financial statements.

Poseidon Nickel Limited
 Condensed consolidated interim statement of cash flows
 For the six months ended 31 December 2022

In thousands of AUD

	<i>Note</i>	31 Dec 2022	31 Dec 2021
Cash flows from operating activities			
Sundry receipts		97	68
Payments to suppliers and employees		(5,370)	(5,839)
Cash used in operations		(5,273)	(5,771)
Interest received		100	12
Net cash used in operating activities		(5,173)	(5,759)
Cash flows from investing activities			
Payments for property, plant and equipment		(297)	(141)
Payments for exploration and evaluation expenditure		(2,354)	(6,787)
Net cash used in investing activities		(2,651)	(6,928)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)		11,527	26,805
Repayment of lease liabilities		(78)	(75)
Net cash received from financing activities		11,449	26,730
Net increase in cash and cash equivalents		3,625	14,043
Cash and cash equivalents at 1 July		11,089	7,903
Cash and cash equivalents at 31 December		14,714	21,946

The condensed notes on pages 18 to 24 are an integral part of these condensed consolidated interim financial statements.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

Section 1 – Basis of Preparation

Poseidon Nickel Limited (“Poseidon” or “the Company”) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2022 comprises the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in exploration, mining and production of nickel and other minerals.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2022 is available upon request from the Company’s registered office at Level 1, 3 Ord Street, West Perth WA 6005 or at www.poseidon-nickel.com.au.

1.1 Statement of compliance

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

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2022.

This condensed consolidated interim financial report was approved by the Board of Directors on 14 March 2023.

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

1.2 Going concern

For the six months ended 31 December 2022 the Group incurred a loss of \$5,827,000 (2021: loss \$5,871,000) and had a net working capital surplus of \$13,320,000 (30 June 2022: surplus \$9,684,000).

The Group had a net cash outflow from operating activities of \$5,173,000 (2021: outflow \$5,759,000), a net cash outflow from investing activities of \$2,651,000 (2021: outflow \$6,928,000) and a net cash inflow from financing activities of \$11,449,000 (2021: inflow \$26,730,000). 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 for exploration and evaluation activities while the financing cash inflow reflects the proceeds received from the capital raise. The Group held cash and cash equivalents of \$14,714,000 at 31 December 2022 (30 June 2022: \$11,089,000).

The Directors have reviewed a cash flow forecast for the next 12 months from the date of signing the financial report which demonstrates that the Group will have sufficient cash resources to continue as a going concern, subject to successful fund raising activities during the period.

Following the release of the 1.1Mtpa Black Swan Bankable Feasibility Study (BFS) during the first half of FY2023, Management is working towards a Final Investment Decision (FID) by June 2023 to restart the Black Swan operations. The BFS noted a funding requirement of at least \$90 million which the Company expects to fund through a combination of debt and equity financing. The Company commenced discussions with a number of parties over potential offtake and financing arrangements during December 2022. Indicative offers were received for offtake and/or project financing during January 2023, still subject to substantial conditions precedent and negotiation. The Company has short listed a group of offtakers who can also provide project debt finance and these parties are now progressing with detailed due diligence including access to an electronic data room and site visits. The aim is to have both offtake and project debt financing concluded during the fourth quarter of FY2023 so the FID can be made during that quarter. As the Company has not finalised an offtake and funding arrangement with any of these parties, material uncertainty remains on receiving funding for the project.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

1.2 Going concern (continued)

Alternatively, if the Company does not achieve FID to restart the Black Swan project and enter into sufficient funding arrangements for the project during the fourth quarter of FY23, then the Company will maintain the projects on a care and maintenance basis. In this scenario, the Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows for the next 12 months which incorporates raising additional funding through equity, debt or hybrid financing, joint venture type arrangements or other means to meet forecast minimum expenditure and maintain tenements and meet ongoing costs. The ability of the Group to achieve its forecast cashflows, being reliant on raising additional funds, represents material uncertainty that may cast significant doubt about whether the Group can continue as a going concern in which case it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

1.3 Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated interim financial report are consistent with those adopted and disclosed in the Company's 2022 annual financial report for the financial year ended 30 June 2022. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

1.4 Estimates

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

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying this Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2022.

Poseidon Nickel Limited
Notes to the condensed consolidated interim financial statements

Section 2 – Results for the Half Year

2.1 Operating segments

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

Information about reportable segments

In thousands of AUD

For the six months ended 31 December

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

Nickel exploration and evaluation

	2022	2021
	306	421
	(2,274)	(2,916)
	(1,968)	(2,495)
	129,807	121,629
	63,340	62,712
	2,406	6,542
Reconciliations of reportable segment profit / (loss) and assets		
Loss		
Total loss for reportable segments	(1,968)	(2,495)
Unallocated amounts: other corporate expenses	(3,954)	(3,382)
Net finance costs	95	6
Loss before income tax	(5,827)	(5,871)
Assets	31 Dec 2022	31 Dec 2021
Total assets for reportable segments	129,807	121,629
Other assets	16,439	23,794
	146,246	145,423
Liabilities		
Total liabilities for reportable segments	63,340	62,712
Other liabilities	1,480	1,289
	64,820	64,001

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2022.

2.2 Net financing costs

Net financing costs can be analysed as follows:

In thousands of AUD

Interest income on bank deposits	
Finance income	
Interest expense – lease liability	
Finance costs	
Net finance income / (costs)	

	31 Dec 2022	31 Dec 2021
	100	12
	100	12
	(5)	(6)
	(5)	(6)
	95	6

Poseidon Nickel Limited
Notes to the condensed consolidated interim financial statements

Section 3 – Assets and Liabilities Supporting Exploration and Evaluation

3.1 Exploration and evaluation expenditure

In thousands of AUD

Costs carried forward in respect of areas of interest in the following phase:
Exploration and evaluation phase

Reconciliations: Exploration and evaluation phase

Carrying amount at beginning of period
Additions
Movements in provisions

	31 Dec 2022	30 Jun 2022
	101,677	99,940
	99,940	87,397
	2,090	11,495
	(353)	1,048
	101,677	99,940

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 \$2,274,000 (2021: \$2,916,000) was expensed as incurred through the Income Statement for the period.

Plant and Equipment

As the Lake Johnston and Black Swan nickel operations remain on care and maintenance, certain plant and equipment items associated with these projects that are not installed and ready for use are currently not being depreciated. As at 31 December 2022, the total carrying amount of these assets was \$22,983,000 (30 June 2022: \$22,983,000).

Poseidon Nickel Limited
Notes to the condensed consolidated interim financial statements

Section 4 – Equity and Funding

4.1 Share Capital

<i>In thousands of shares</i>	Ordinary shares	
	31 Dec 2022	30 Jun 2022
Ordinary shares		
Fully paid	3,404,031	3,063,960
Total share capital on issue	3,404,031	3,063,960
Movements in ordinary shares on issue:		
On issue at 1 July	3,063,960	2,809,415
<i>Shares issued and expensed during the period:</i>		
Issued for cash ⁽ⁱ⁾	340,071	254,545
On issue	3,404,031	3,063,960

- (i) During the reporting period the Company issued 340,071,358 ordinary shares at an average of \$0.035 per share to raise approximately \$11,903,000. The capital raising incurred transaction costs of \$401,219.

During the prior reporting period the Company issued 254,544,674 ordinary shares at an average of \$0.11 per share to raise approximately \$28,000,000. The capital raising incurred transaction costs of \$1,196,294.

Poseidon Nickel Limited
Notes to the condensed consolidated interim financial statements

Section 5 – Other Disclosures

5.1 Share-based payments arrangements

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

<i>In thousands of AUD</i>	31 Dec 2022	31 Dec 2021
Performance rights expense	175	312
Options expense (a)	46	46
Total expenses recognised as employee costs	<u>221</u>	<u>358</u>

(a) Options were issued in FY20 and continue to be expensed in 2023 over their vesting period.

Share Options

No options were granted to directors or executives during the reporting period.

During the reporting period 1,000,000 options with an exercise price of \$0.10 lapsed.

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

Issue date	Vesting and exercise date	Expiry date	Exercise price \$	Value per option at issue date \$	Number of shares
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	0.010	3,000,000
3 Mar 2020	3 Mar 2023	3 Mar 2025	0.05	0.009	3,000,000
					<u>7,000,000</u>

Performance Rights

The outstanding performance rights at the end of the period were:

Tranche	Invitation Date	Fair Value at Invitation Date \$	Estimated number of Performance Rights				
			Opening balance	Granted/ Offered	Satisfied by allotment of shares	Net change other	Closing balance
TSR - 2023	21 Dec 22	0.022	-	14,866,408	-	-	14,866,408 ¹
Resources - 2023	21 Dec 22	0.038	-	7,433,204	-	-	7,433,204 ¹
BSO - 2023	21 Dec 22	0.038	-	7,433,204	-	-	7,433,204 ¹
TSR - 2022	15 Dec 21	0.087	3,854,223	-	-	-	3,854,223 ¹
Resources – 2022	15 Dec 21	0.087	1,927,111	-	-	-	1,927,111 ¹
BSO - 2022	15 Dec 21	0.087	1,927,111	-	-	-	1,927,111 ¹
TSR – 2022a	28 Feb 22	0.094	1,267,873	-	-	-	1,267,873 ¹
Resources – 2022a	28 Feb 22	0.094	633,937	-	-	-	633,937 ¹
BSO – 2022a	28 Feb 22	0.094	633,937	-	-	-	633,937 ¹
TSR - 2021	31 Mar 21	0.057	3,193,656	-	-	-	3,193,656 ²
Cost savings - 2021	31 Mar 21	0.057	276,989	-	-	-	276,989 ²
			13,714,837	29,732,816	-	-	43,447,653

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

5.1 Share-based payments arrangements (continued)

¹ These performance rights have not been granted and the amounts listed above are an approximation of the performance rights offered to participants under the Company's Long Term Incentive Plan. The estimated number of performance rights is based on the volume weighted average price (VWAP) of the Company's shares over a 20-day trading period immediately prior to the invitation date. The actual number of performance rights granted is based on the volume weighted average price (VWAP) of the Company's shares over a 20-day trading period immediately prior to an award being made under the Company's LTI Plan and the number of performance rights subsequently being approved by the Board.

² The vesting conditions attached to these performance rights have been met, approved by the Board and granted to the participant with a three-year exercise period.

Vesting Conditions for Performance Rights Granted during the Period

- (a) Total Shareholder Return (TSR) (50% weighting) – absolute return benchmarked against ASX peers as per below list of peers.
- (b) Resources (25% weighting) – adding to the current JORC Reserves at least 25,000 tonnes of high grade reserve (>3%Ni) and adding to the current JORC Resources at least 30,000 tonnes of lower grade resource (<3%Ni) by 30 June 2024.
- (c) Black Swan Operations (BSO) (25% weighting) – Black Swan needs to be in production by 30 June 2024.

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

TSR – Peer group companies based on metal and market cap

Mincor Resources NL	Hillgrove Resources Ltd	Widgie Nickel Ltd
Red River Resources Ltd	Aeris Resources Ltd	Rex Minerals Ltd
Panoramic Resources Ltd	New Century Resources Ltd	Galena Mining Ltd
Legend Mining Ltd	Develop Global Ltd	Centaurus Metals Ltd
Lunnon Metals Ltd	Hot Chilli Ltd	St George Mining Ltd

Performance conditions associated with the performance rights granted during the prior years were consistent with those disclosed in the 30 June 2022 financial statements.

5.2 Subsequent events

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

Poseidon Nickel Limited Directors' declaration

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

1. the condensed financial statements and notes set out on pages 14 to 24 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Mr P Harold
Managing Director/CEO

Perth
14 March 2023



Independent Auditor's Review Report

To the shareholders of Poseidon Nickel Limited

Report on the Interim Financial Report

Conclusion

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

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

- Giving a true and fair view of the **Group's** financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated interim statement of financial position as at 31 December 2022;
- Condensed consolidated interim statement of profit or loss and other comprehensive income, Condensed consolidated interim statement of changes in equity and Condensed consolidated interim statement of cash flows for the half-year ended on that date;
- Notes comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Material uncertainty related to going concern

We draw attention to Note 1.2, "Going Concern" in the Interim Financial Report. The events or conditions disclosed in Note 1.2, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

GL + 177

Graham Hogg

Partner

Perth

14 March 2023

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