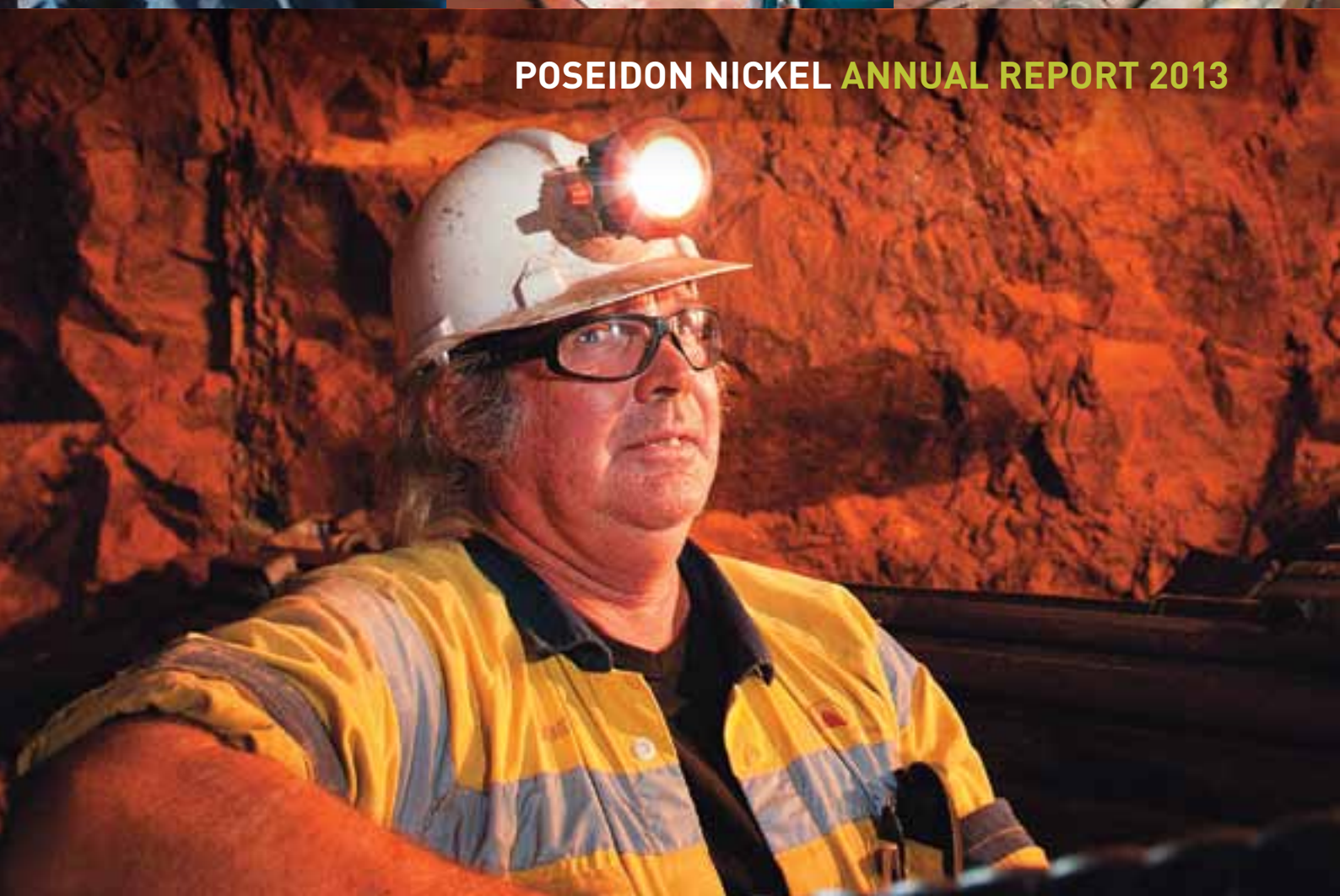
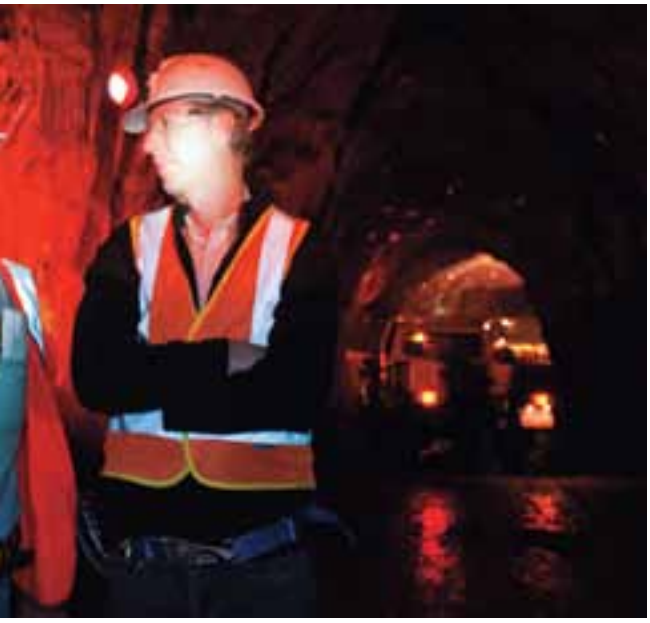
POSEIDON NICKEL

AUSTRALIA'S NEW NICKEL

POSEIDON NICKEL ANNUAL REPORT 2013



POSEIDONPEOPLE:



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Photography by Craig Kinder (F22) and Poseidon Nickel employees.

POSEIDON NICKEL ONLINE:

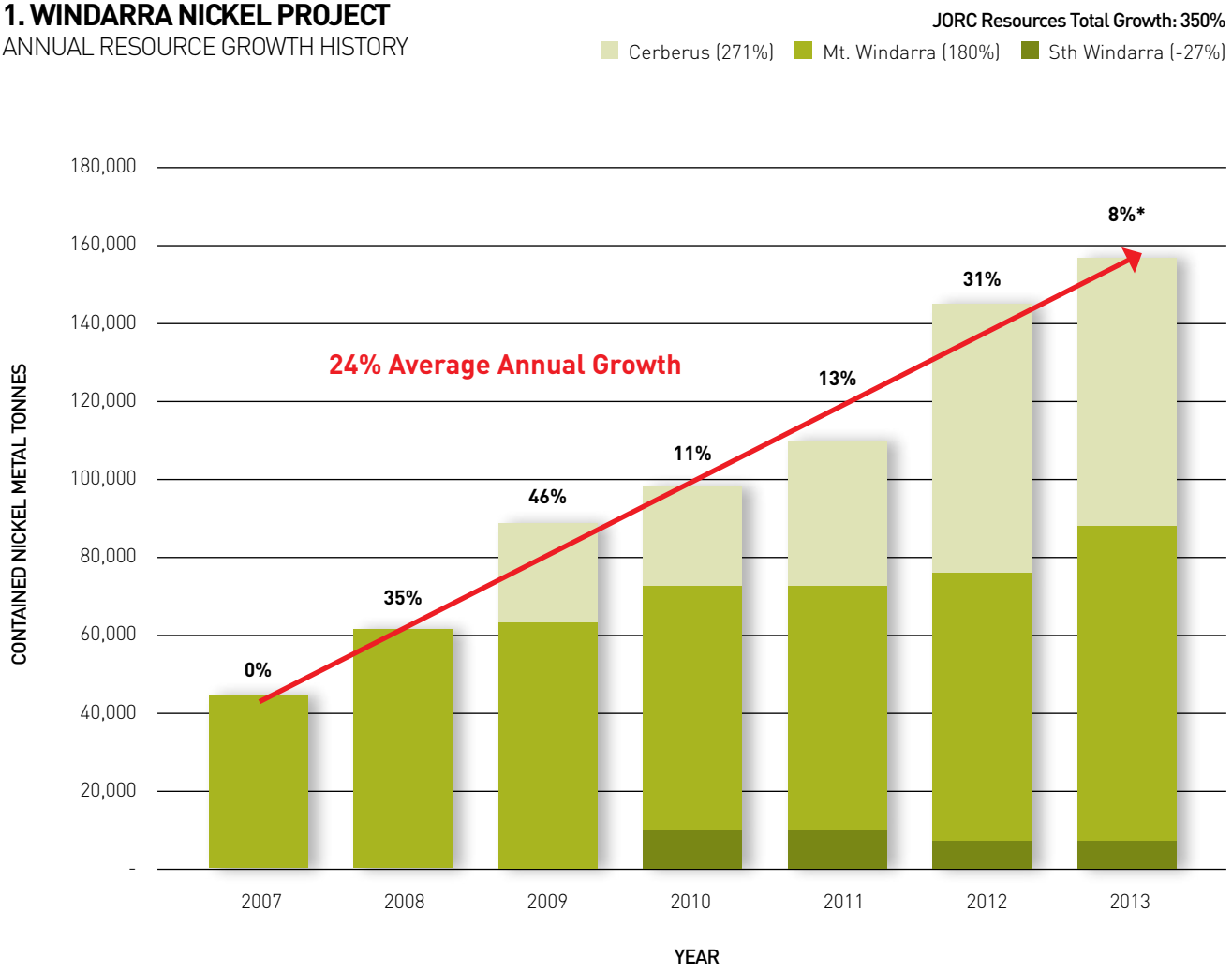
Stay in touch with Poseidon Nickel - Australia's New Nickel.

Visit our website for the very latest announcements, news, in-depth information and project updates.

www.poseidon-nickel.com.au

OUR PREPARATION CONTINUES. WE NOW MOVE TO IMPLEMENT OUR PLANS TO BECOME AUSTRALIA'S NEW NICKEL.

1. WINDARRA NICKEL PROJECT
ANNUAL RESOURCE GROWTH HISTORY



**2013 contains only 5 months of drilling data*

The Board and executive management of Poseidon set out 6 years ago to develop the Windarra Project into a major nickel province in Australia.

In that time, we have made a significant new ore body discovery, increased our resources by 24% per annum and undertaken major refurbishment activities at Mt. Windarra. With the development of the project now completed, the Board is focused on financing the project into operations. I am fortunate enough to be joining Poseidon at this time as Chairman and would like to thank my predecessor and the company's major shareholder, Andrew Forrest, for his efforts in leading the Board to this point. Andrew has signaled his ongoing support for the company and for my part, I look forward to using my experience in the US capital markets to help bring the project into production.

New higher grade nickel sulphide projects are rare in the world and the Board is proud of what it has created, not only two production ready mines but the identification of what, we now believe, will be a new nickel province. We have a fantastic resource which is blessed with a low cost base which will serve us well both in the difficult years as well as the good ones, as inevitably, through our long projected production life, we will see both. Whilst today we are seeing depressed nickel prices, the medium term future looks bright and we are aiming to be entering production in the right point of the cycle as prices improve.

Our next challenge post financing will be to build our project. There is no doubt that the normalisation of the labour and supply industry in Western Australia will assist this aspiration and strengthen the detailed planning that we have been undertaking in recent months. My aim as Chairman will be to set stretch targets and then for us all to do what it takes to deliver them.

The Board are great supporters of this project. We will honour your confidence as we strive to deliver this extraordinary, high-quality project.

BUD SCRUGGS
NON-EXECUTIVE DIRECTOR

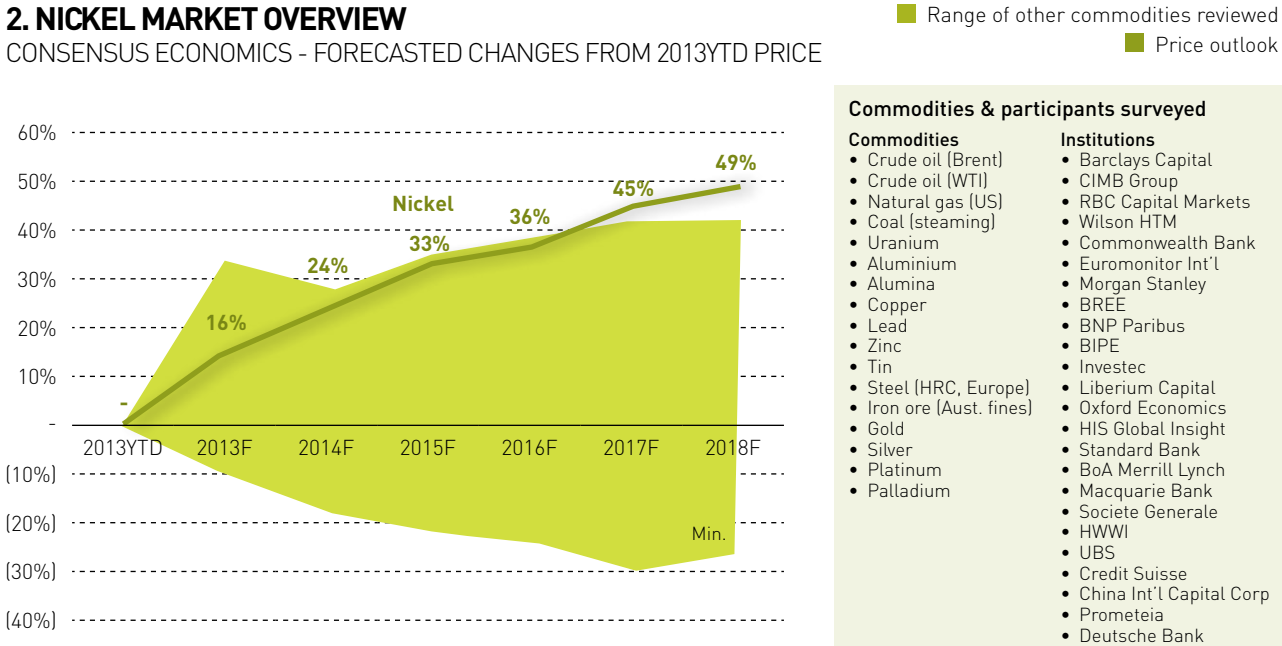
At Poseidon we always look to over-achieve through the thoughtful application of new technology. The high pressure Hammelmann water pump is the backbone of the innovative underground drilling technique being used at Windarra. When fully developed the system should reduce drilling costs by a significant amount.

"MEET THE TEAM WHO MAKE THE POSEIDON DIFFERENCE. THEIR PASSION, ENERGY AND COMMITMENT DRIVE US ALL FORWARD TO MEET OUR GOALS. IT'S THE DIFFERENCE THAT MATTERS."

ANALYSIS PREDICTS NICKEL WILL BE THE 2ND BEST COMMODITY IN TERMS OF PRICE INCREASES IN THE PERIOD TO 2018.

2. NICKEL MARKET OVERVIEW

CONSENSUS ECONOMICS - FORECASTED CHANGES FROM 2013YTD PRICE



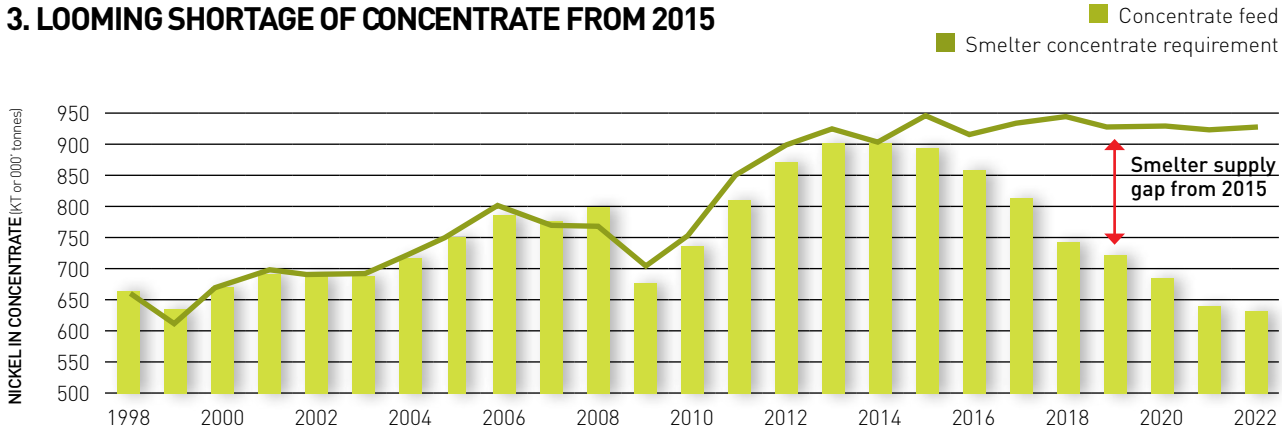
Source: Consensus Economics, April 2013 (Graph excludes Uranium)

Commodities & participants surveyed

Commodities
- Crude oil (Brent)
- Crude oil (WTI)
- Natural gas (US)
- Coal (steaming)
- Uranium
- Aluminium
- Alumina
- Copper
- Lead
- Zinc
- Tin
- Steel (HRC, Europe)
- Iron ore (Aust. fines)
- Gold
- Silver
- Platinum
- Palladium

Institutions
- Barclays Capital
- CIMB Group
- RBC Capital Markets
- Wilson HTM
- Commonwealth Bank
- Euromonitor Int'l
- Morgan Stanley
- BREE
- BNP Paribus
- BIPE
- Investec
- Liberium Capital
- Oxford Economics
- HIS Global Insight
- Standard Bank
- BoA Merrill Lynch
- Macquarie Bank
- Societe Generale
- HWWI
- UBS
- Credit Suisse
- China Int'l Capital Corp
- Prometeia
- Deutsche Bank
- Econ Intelligence Unit

3. LOOMING SHORTAGE OF CONCENTRATE FROM 2015



Source: Brook Hunt - A Wood Mackenzie Company

Poseidon is poised ready to be the first new sulphide nickel producer in Western Australia for a decade and will do so when the inevitable recovery in the nickel market occurs.

Tough commodity markets have inspired us to ensure that we have a financially robust project by continually challenging what we have done to reduce both operating cost and capital expenditure. The result of this is that the Windarra Nickel project is a low risk, low cost and potentially highly profitable project. Almost all new nickel projects around the world are technically challenging, very capital intensive and still use largely unproven technologies to develop either nickel laterite deposits or low grade sulphide deposits. Windarra stands almost alone as a nickel project with a higher grade resource which uses industry standard sulphide flotation to produce concentrates for the smelting industry. We believe that when strength starts to rebuild in the nickel market, Windarra is ideally placed to attract the funding it needs to build the project.

NICKEL MARKET

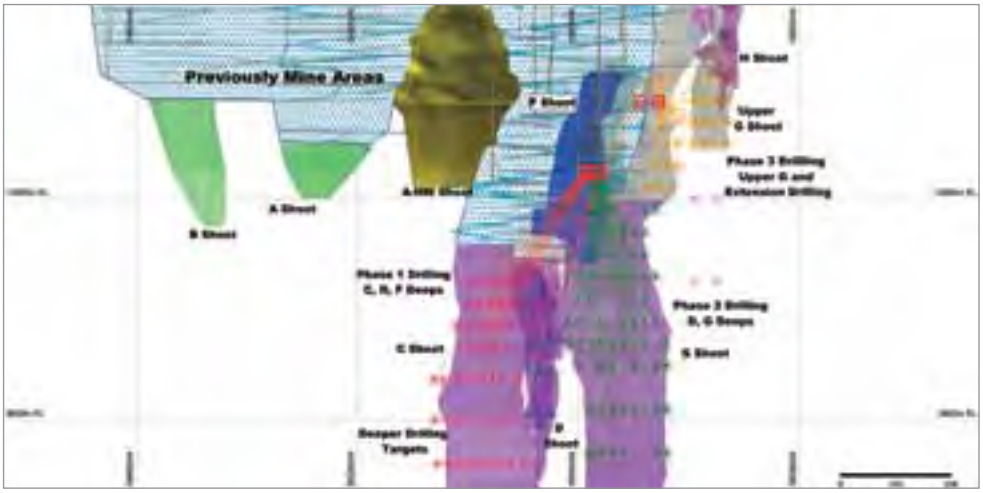
The world has reached "peak" nickel sulphide, that is to say that global supply from here on in is expected to diminish, even as nickel consumption grows by a predicted 5.2%*, per annum (see Figure 3 on page 6). This is what makes Windarra so important in Australia and almost unique as a new start nickel sulphide project. Smelters around the world need nickel concentrates and the impending shortages are improving payment terms for new producers like Poseidon.

Even so, the nickel market like most in the base metals community, has been difficult over the last 12-18 months with nickel inventories on the London Metal Exchange (LME) warehouses climbing and thereby driving down prices. What is important to Poseidon however is not what is happening today, but what the future may look like. Almost all major metals forecasters paint to a bright future for nickel with prices rising and staying strong for years to come. In a background of anaemic world growth, the nickel market is in oversupply caused by a rash of new projects, initiated several years ago, finally coming on stream at the same time as a new source of supply in China, referred to as Nickel Pig Iron (NPI), grows in importance. In reality, the evidence is that the troubled nature and massive cost and time over-runs with almost all of the new non NPI nickel in the world, means that NPI represents possibly the only major supply response in the future.

**Source: Glencore*

The Poseidon team is always mindful that it is operating in a pristine but fragile environment and takes its environmental responsibilities personally. The unique Sturt's Desert Pea flourishes around Windarra and is a testament to the health of the environment around the mining operation.

POSEIDON HAS THE POTENTIAL TO PRODUCE SOME OF THE LOWEST COST NICKEL IN AUSTRALIA AND CHEAPER THAN 60% OF THE NICKEL PRODUCED IN THE WORLD TODAY.



4. UNDERGROUND DRILL LONGSECTION

Consensus Economics consolidates the future commodity predictions of a large number of institutions worldwide and that analysis predicts nickel will be the 2nd best commodity in terms of price increases in the period to 2018 (see Figure 2 on page 6).

MT. WINDARRA RESOURCE EXPANSION

The recent drilling programme at Mt. Windarra added 12,000 tonnes of nickel to our inventory at improving grades and thereby demonstrated once again the continued high prospectivity of this mine. This is the first time in over 20 years that a modern, well-funded drilling programme has taken place from underground at Mt. Windarra. The drilling results far exceeded our expectations but perhaps more importantly demonstrated the high likelihood that further drilling will continue to substantially build both our already large resource base and consequently the potential annual mining rates.

Modern technology and geological understanding utilised by our experienced and motivated geological team were the winners in the drilling campaign. The potential to continually extend the mine's economic life in the same way that many of our operational peers have done, was demonstrated through the results.

INNOVATION

The Poseidon mines have the potential to produce some of the lowest cost nickel in Australia and cheaper than 60% of the nickel produced in the world today. In addition, the great location in the heart of one of the world's premier nickel mining regions, access to external infrastructure plus existing onsite infrastructure, means that we will have one of the lowest capital costs per pound of nickel produced annually in the world. According to Wood Mackenzie, nickel capital intensity is generally in the range US$10-US$50 per annual pound of annual capacity, with Poseidon well below that range. Notwithstanding these great achievements, the Poseidon team has been working relentlessly on a number of novel ideas to reduce production costs and increase efficiency further. In our recent drilling programme we trialed a novel underground drilling system that has the promise of greatly enhancing drill speeds and accuracy and whilst the system is still not fully developed, it has shown real promise. We are also currently looking at new ideas for reducing costs and dilution in the mining methodology for Cerberus in our search to drive our costs down further. Another good example is our focus on reducing energy costs. Earlier this year we installed an 80m high wind monitor as a prelude to a study into installing renewable energy at the site and thereby reducing the dependency on expensive diesel. We fervently believe that innovation is the natural answer to Australia's much discussed cost premium and we will continue to develop these ideas.

Windarra is ready, we are ready and we believe that as the nickel market recovers with the global economy that our time will come and Poseidon will become "Australia's" New Nickel.

The underground drilling program at Mt. Windarra approximately doubled the ore tonnes per vertical metre over the first 2 production years. An outstanding achievement and harbinger for things to come.

DAVID SINGLETON
MANAGING DIRECTOR & CEO

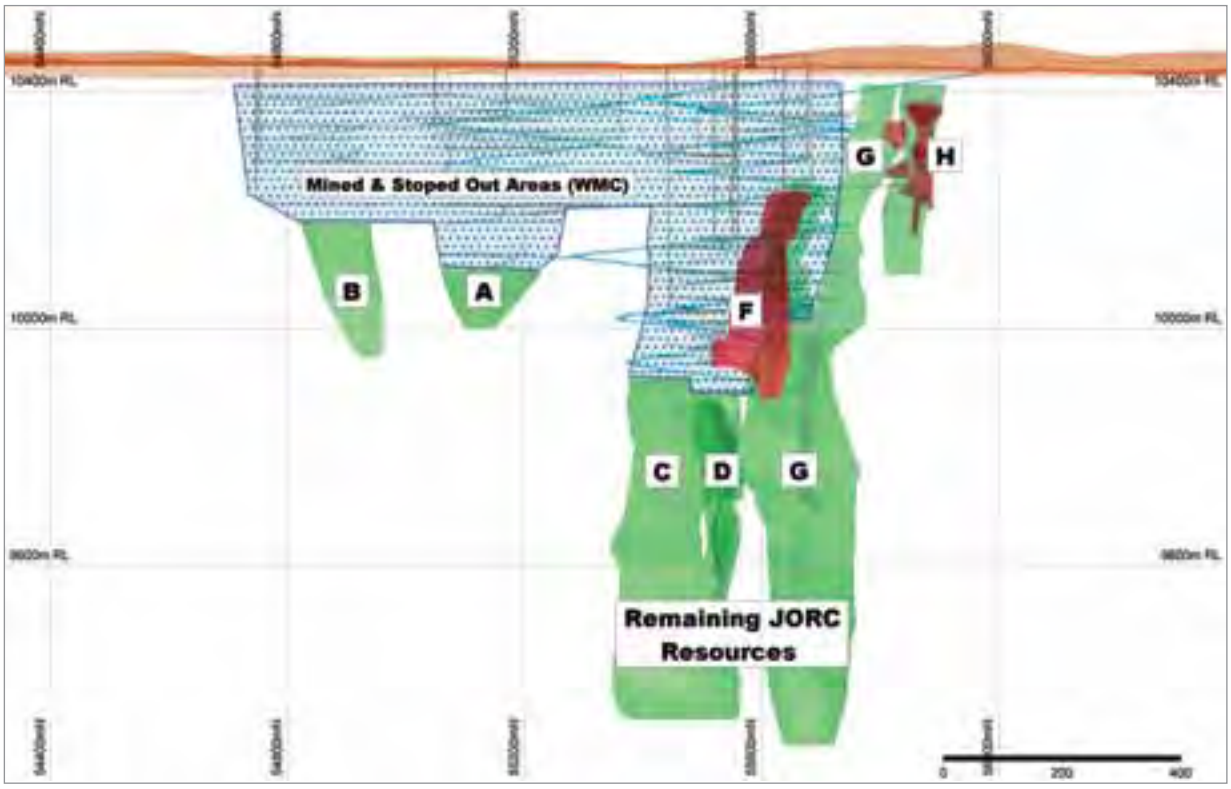
"THE POTENTIAL TO CONTINUALLY EXTEND THE MINE'S ECONOMIC LIFE IN THE SAME WAY THAT MANY OF OUR OPERATIONAL PEERS HAVE DONE, WAS DEMONSTRATED THROUGH THE RESULTS."

During the last 12 months Poseidon's team have been very active in completing 19,500m of drilling. This drilling was mainly from underground at Mt. Windarra (15,100m), but also completing geotechnical drilling for the Cerberus mine development (400m) and regional target testing at Denny Bore North and Ziggy Flats (4,000m).

The company's main focus however was the preparation and commencement of the underground drilling at Mt. Windarra. Drilling was initiated in mid-November 2012 following the refurbishment and installation of the required mine services after 20 years of mine closure. The first phase of the programme was completed over a 7 month period, concluding in early July 2013. Drilling was initially targeted at C and G Shoots (Figure 5) utilising two underground drill rigs, with the aim of building resources and converting them to ore reserves.

As drilling commenced the results showed that F Shoot, which is located in front of G Shoot, was far more extensive and higher grade than previously

5. MT. WINDARRA SHOOT LOCATIONS



recognised. The geologists re-designed the drilling program, turning the focus on understanding and defining the higher grade, and far more extensive mineralisation located below F Shoot whilst the second rig continued drilling C Shoot. Whilst we could see the drilling was returning spectacular results, it was the completion of the resource estimation that cemented our expectations. Drilling has extended the mineralised zone at F Shoot, growing the resource by 135% (in contained nickel tonnage terms) to 244,000 tonnes at 1.77% nickel meaning that this ore body is now of sufficient JORC confidence category to allow immediate conversion to mining ore reserves and also of sufficient size and grade to be economically mined.

Poseidon has interpreted F Shoot to be a zone of remobilised nickel sulphides associated with the late intrusion of a structurally controlled felsic porphyry dyke. Remobilised sulphides are typically higher grade than insitu nickel mineralisation as they become more concentrated and upgraded during the remobilisation process. Understanding these controlling structures, in a similar way as gold explorers do, will lead to the expansion of F Shoot as well as unrealised opportunities around Mt. Windarra that have not previously been considered or drill tested.

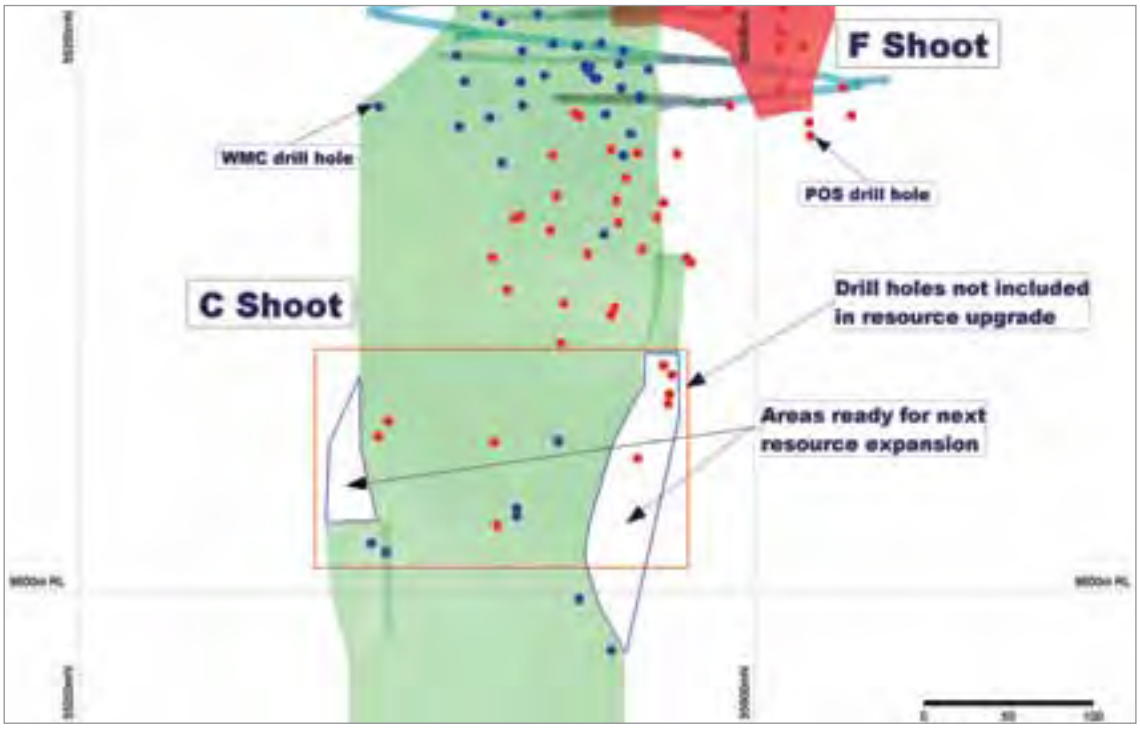
Drilling at C Shoot also returned a number of unexpected positive results. The historical WMC records and mine closure reports indicated that C Shoot was narrowing and decreasing in grade with depth although we recognise this interpretation may have been due to a dearth of drilling as the mine approached its planned closure date. Our expectation was to at least duplicate the WMC modeled data and have a slight improvement in grade as we infill drilled. The historical drilling had also intersected a number of narrow, barren dolerite dykes which had a big influence on the reported grades and tonnes of C Shoot. Our geologists always believed that infill drilling would reduce the influence of these barren holes and that drilling either side of these dykes would return more realistic grades and widths of mineralisation.

The drilling not only confirmed the dykes were narrow but that the nickel mineralisation that used to occupy the space where the dyke now sits, had been concentrated either side of the dyke resulting in no obvious net loss of metal. In addition the drilling confirmed that the grade in the upper portion of C Shoot increased from 1.62% to 1.83% nickel and importantly, the thickness of central C Shoot has increased from a previously interpreted thickness of 4-5 meters to a true thickness of 8-9 meters. This has large implications on the

Energy costs are a major component of the cost base at Windarra. We have installed an 80 metre high wind monitoring station to determine the economics of integrating wind into our energy mix.

"THE DRILLING PROGRAMME RESULTED IN AN INCREASE OF THE C SHOOT RESOURCES BY 32% (IN NICKEL TONNAGE TERMS) TO 1,926,000 TONNES AT 2.06% NICKEL."

NEIL HUTCHISON, GENERAL MANAGER - GEOLOGY



6. C SHOOT RESOURCE GROWTH AREAS

mining plan as it doubles the tonnes per vertical meter (TVM) that can be mined each year from C Shoot. The drilling programme resulted in an increase of the C Shoot resources by 32% (in nickel tonnage terms) to 1,926,000 tonnes at 2.06% nickel.

The 7 month drilling programme was highly successful resulting in an overall increase in resource tonnages and contained nickel metal at Mt. Windarra of 19%, accompanied by an improvement in the JORC confidence category of the resource from Inferred to Indicated Mineral Resources. Consequently, there has been a corresponding increase in the conversion of resources to reserves with a 121% increase of Probable Ore Reserves at Mt. Windarra which now stands at 498,000 tonnes at 1.78% Ni containing 8,850 tonnes of nickel metal. Of particular note is the much higher reserve grade which is now more in line with the historical mine performance (2012 reserve estimate grade was 1.22% Ni). These results build on the track record of solid resource growth which has been at an average annual rate of 24% in nickel tonnage terms since 2007 (see Figure 1 on page 4).

During the resource/reserve estimation period, drilling continued for an additional 2 month period. Two deeper holes were drilled into the middle and edges of C Shoot to confirm if the grade and widths intersected higher up were continuous at depth. There was also a narrow "waistline" (see Figure 6) in the previous model that required investigation, so 2 holes were drilled either side of the deposit. The results were extremely positive with all 4 holes confirming the grades and thickness are continuous deeper down the ore body. Mineralisation also extends to the north and south, effectively expanding the "waistline" and increasing potential mining TVM through this zone.

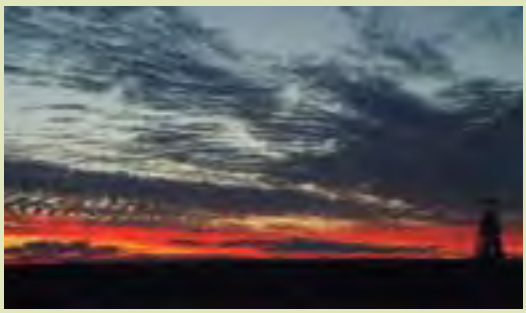
The most significant off these holes was WUG0046 which returned the most successful intersection to date. Drill hole WUG0046 was drilled to intersect D Shoot and continue through to test a gap off the northern edge of C Shoot in order to extend the known mineralisation as described above. It intersected all 4 mineralised shoots and returned some of the best grades and true widths seen to date.

WUG0046 firstly intersected F Shoot 45m below and 33m south of existing F Shoot drilling, returning 6.14m @ 2.77% Ni. It also clipped the southern edge of G Shoot confirming its position. It then intersected spectacular high grade massive nickel sulphide in D Shoot which assayed at 28.53m @ 3.52% Ni including 8.28m @ 7.10% Ni. The hole was then drilled on to its final target where it also extended C Shoot by 30m to the north of the "waistline", returning 1.9m @ 5.54% Ni. Poseidon is highly encouraged by these results which underlines and confirms the potential upside present at Mt. Windarra.

The geology team is currently working with the data collected over the 7 month drilling programme to reinterpret and remodel the shoots so that the next drilling program can accurately target the mineralisation, particularly in light of the now apparent structural overprint. Understanding the structural overprint and controls on remobilised sulphides will allow for the expansion of the existing resources, discovery of new ore and the expansion of the Life of Mine plans.

We have been extremely pleased with the results to date and look forward to restarting the drilling following the completion of our geological compilation.
For more detailed information see the financial statements.

Recent drilling has identified some of the highest grades and widths of ore ever seen at Windarra. Massive nickel sulphide from D Shoot in WUG0046. This zone returned 28.53m @ 3.52% Ni including 8.28m @ 7.10%. This drill hole also intersected F Shoot returning 6.14m @ 2.77% Ni and 1.9m @ 5.54% Ni at the edge of C Shoot.



GUIDING THE VISION.

HERBERT (BUD) SCRUGGS NON-EXECUTIVE CHAIRMAN (SEPTEMBER 2013)

Mr Scruggs is an expert in business leadership, corporate recoveries and step change business improvement. A lawyer by training (BYU 1984), he has held a number of corporate, government, political and civic positions including Chief of Staff to the Governor of Utah and Chairman of the University of Utah Board of Trustees.

Mr Scruggs served on a number of boards of public as well as privately held companies including American Investment Bank, Barbados Light & Power, Deseret Morning News, Empire Insurance, MK Gold and Sangart - including service on multiple audit and executive committees.

Mr Scruggs served as CEO of Huntsman Financial Corporation as well as the Huntsman Cancer Foundation and previously worked for Leucadia Asset Management Group. He now provides, among other activities, business consulting services and serves on the board of the Australian Children's Trust and is a Non-Executive Director of the Board of Fortescue Metals Group.

Mr Scruggs joined the Poseidon Nickel Board as an alternate in September 2012.

DAVID SINGLETON CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

David Singleton became the CEO & MD of Poseidon Nickel in July 2007. David was the Chief Executive Officer and Managing Director of Clough Limited between August 2003 and January 2007. Prior to joining Clough, he was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems (formally British Aerospace) based in London. Mr Singleton spent three successful years as the Chief Executive Officer of Alenia Marconi Systems and was based in Rome, Italy. Mr Singleton has served as a member of the National Defence Industries Council in the UK, and as a board member and Vice-President of Defence for Intellect. He is a non-executive Director of Austal Ships based in Perth WA, a non-executive Director of Quickstep Holdings, which is a technology based GRP manufacturer to the Defence industry and also Deputy Chair of Council to Methodist Ladies College in Perth. Mr Singleton has over 20 years international business experience in senior executive roles, primarily in Europe, USA and Australia. Mr. Singleton has a degree in Mechanical Engineering from University College London.

"THE BOARD MAINTAINS OUR VISION, PROVIDING SOUND GUIDANCE, INNOVATION, INSPIRATION, EXPERTISE AND PASSION. I'M PROUD TO BE A PART OF THIS TEAM."

BUD SCRUGGS, NON-EXECUTIVE CHAIRMAN

CHRIS INDERMAUR NON-EXECUTIVE DIRECTOR

Chris Indermaur has over 30 years of experience in large Australian companies in Engineering or Commercial roles. Amongst these roles he was the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd.

Chris holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University). Chris also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University. Chris rejoined the Poseidon Board in April 2009.

GEOFF BRAYSHAW NON-EXECUTIVE DIRECTOR

Geoff is a Non-executive Director and Chairman of the audit committee of Fortescue Metals Group Limited and AVEA Insurance Limited and a former member of the Board of the Small Business Development Corporation. He is a Fellow of the Institute of Chartered Accountants in Australia and a fellow of the AICD.

Geoff had over 35 years experience as a Chartered Accountant in public practice before retiring from practice in June 2005. He practiced primarily in audit and assurance, other areas of practice being corporate finance and litigation support. He gained wide experience in corporate and financial accounting for the exploration and mining industry, including iron ore and nickel. He was National President of the ICAA in 2002.

DELIVERING THE VISION.

ROBERT DENNIS CHIEF OPERATING OFFICER

Rob Dennis is a mining engineer with over 40 years' experience in the nickel, copper, gold and alumina industries. In his former role as COO Adita Birla Minerals Ltd he managed the expansion and development of the Nifty Copper Project in the North West of Western Australia and the Mt Gordon operation in North Queensland. Prior to that, he held positions including General Manager Project Development for Lionore Australia, General Manager Operations for Great Central Mines and Chief Mining Engineer for Western Mining Corporation. During his time with Western Mining Corporation, Rob worked at the Windarra Nickel Project as underground mine manager from 1980-1986. Rob joined Poseidon Nickel in June 2007 as Chief Operating Officer.

NEIL HUTCHISON GENERAL MANAGER - GEOLOGY

Neil Hutchison is the General Manager of Geology at Poseidon Nickel and was formerly the Exploration Superintendent at the Cosmos Nickel Project with Jubilee Mines. He has 20 years of experience in the resource/mining industry, working throughout Australia and overseas. He graduated from the University of Southern Queensland with First Class Honours in Geology. Neil has a proven track record of discovery and delineation of ore deposits over his career, and has the ability to successfully progress them through to mining. During his time at Jubilee Mines, Neil developed a solid understanding of the nickel and ultramafic forming processes as well as the associated modern exploration techniques required to explore for nickel at the Windarra Nickel Project. Neil joined Poseidon Nickel in 2007, and along with his geology team has since delineated 156,000 tonnes of nickel metal at the Windarra Nickel Project. The geology team to date has defined 88,000 tonnes of remnant nickel at the historic Mt. Windarra and South Windarra Mines. In addition the team made a significant greenfields nickel discovery only 12 months after Neil joined the Company by utilising the skills he developed at Jubilee Mines. The Cerberus Deposit was the first discovery within the Windarra Belt since 1971 and the resource currently contains 68,600 tonnes of nickel metal and is growing. Neil and his geology team have estimated a Probable Ore Reserve containing 25,000 tonnes of nickel metal at the Windarra Nickel Project which will continue to grow through underground drilling at Mt. Windarra and Cerberus. Neil has extensive experience in nickel sulphides, nickel laterites, gold, base metals, and uranium mineralisation, developing his career whilst working with Jubilee Mines, Troy Resource, Pegasus Gold, Zapopan and Energy Resources Australia (ERA).

"THIS MANAGEMENT TEAM HAS BEEN HAND PICKED FOR THEIR CAPABILITY, PASSION AND PROFESSIONAL EXPERTISE. WE'RE SEEING THE BENEFITS THEY BRING."

DAVID SINGLETON, CEO AND MANAGING DIRECTOR

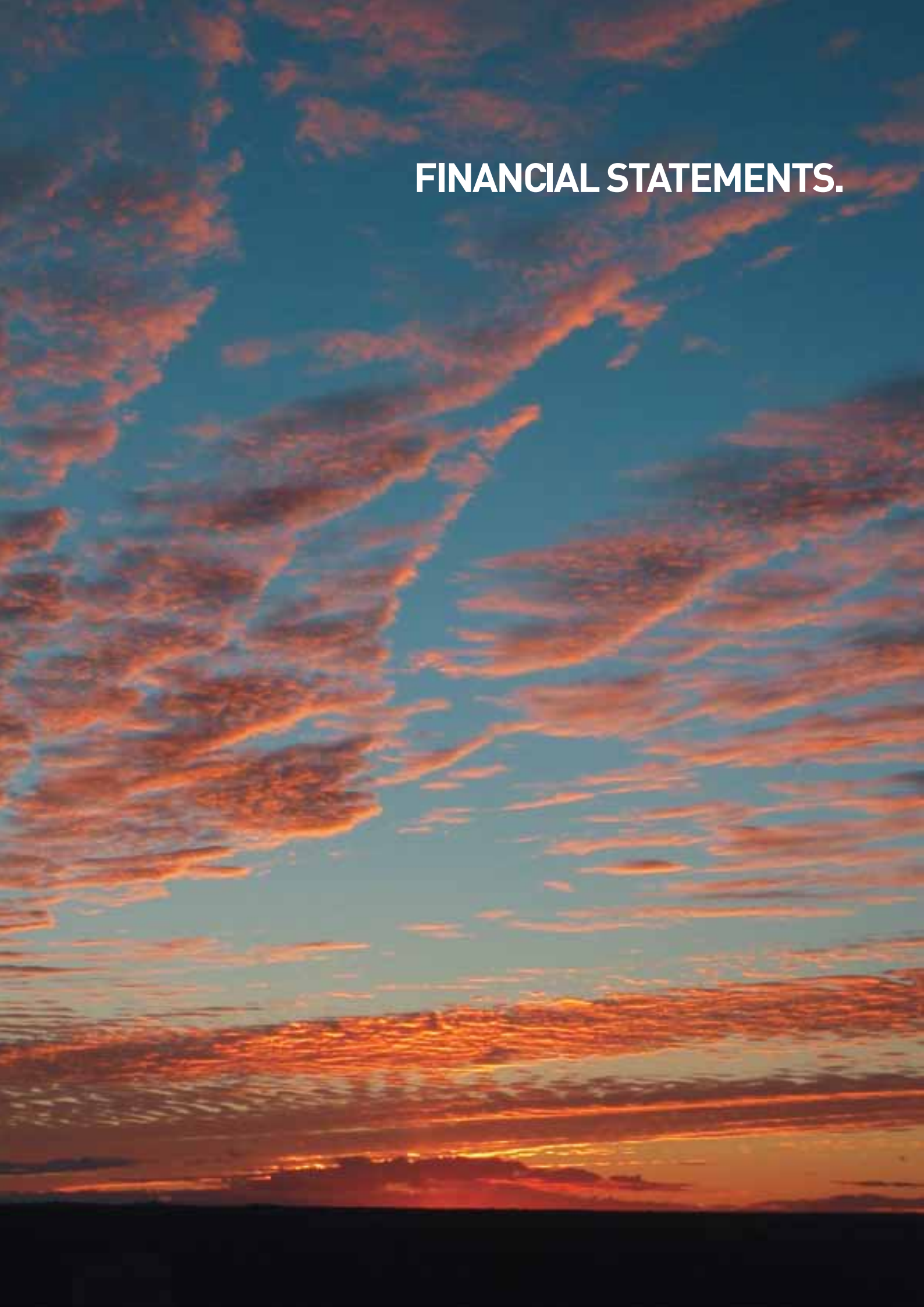
GARETH JONES FINANCIAL CONTROLLER

Gareth Jones joined Poseidon Nickel in June 2007 as Financial Controller. Gareth has over 25 years experience in accounting and commercial roles and specialises in business performance and project management. He has held a variety of senior commercial and management positions, including Head of Commercial for British Gas Business in the UK and Commercial Manager at Vodafone UK. Gareth is a Fellow of the Association of Chartered Certified Accountants and has an MBA from the University of Warwick.

MICHAEL RODRIGUEZ GROUP TECHNOLOGY MANAGER

Michael is a Metallurgical Engineer with over 30 years experience in the Mining and Minerals Processing Industry and joined Poseidon in March 2008 as Group Technology Manager. During his career he has worked at several major facilities throughout Australia including GoldCorp, Olympic Dam Operations, Kwinana Nickel Refinery and Murrin Murrin Operations. In operations he has been involved in commissioning and ramp up of complex hydrometallurgical and pyrometallurgical plants, similarly in design and construction he has a strong background in the mineral processing and hydrometallurgical and chemical plants. During his tenure at Western Mining Corporation (WMC) he gained extensive knowledge of the mining, concentrating, smelting and refining of uranium, gold, silver, copper and nickel sulphides gaining broad experience in the commercialisation of disseminated and massive copper and nickel sulphides.

Whilst at Murrin Murrin Operations Michael held senior positions as Operations Manager, Projects Manager, Technical Services Manager and Corporate Strategic Development Manager reporting to the CEO. He managed over 160 staff and contractors with a budget in excess of AUS$150 million with responsibility as the alternate site registered manager during construction, commissioning, ramp up and through to steady state operation. As the inventor and author of a number of Australian and overseas patents and widely published technical papers Michael is well known in the industry.



FINANCIAL STATEMENTS.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2013

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 2013 and the auditor's report thereon.

Contents of Directors' report **Page**

1. Directors

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

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Mr Herbert (Bud) Scruggs **Chairman & Independent Non-Executive Director** Appointed 30 September 2013 (Alternate for Mr Andrew Forrest since 18 September 2012)	Mr Scruggs is an expert in business leadership, corporate recoveries and step change business improvement. A lawyer by training (BYU 1984), he has held a number of corporate, government, political and civic positions including Chief of Staff to the Governor of Utah and Chairman of the University of Utah Board of Trustees. Mr Scruggs served on a number of boards of public as well as privately held companies including American Investment Bank, Barbados Light and Power, Deseret Morning News, Empire Insurance, MK Gold and Sangart - including service on multiple audit and executive committees. Mr Scruggs recently served as CEO of Huntsman Financial Corporation as well as Huntsman Cancer Foundation and previously worked as President of the Leucadia Asset management Group. He now provides, among other activities, business consulting services and serves on the board of the Australian Children's Trust and is a non-executive director of the board of Fortescue Metals Group.
Mr Christopher Indermaur **Independent Non-Executive Director** *Member of:* • Audit & Risk Management Committee *Chairman of:* • Remuneration, Nomination & Diversity Committee • Corporate Governance Committee Appointed 2 July 2007 Resigned 30 September 2008 Re-appointed 2 April 2009	Mr Indermaur has over 30 years of experience in large Australian companies in Engineering or Commercial roles. Amongst these roles he was the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd. Mr Indermaur holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University). Chris also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University.
Mr Geoff Brayshaw **Independent Non-Executive Director** *Member of:* • Remuneration, Nomination & Diversity Committee • Corporate Governance Committee *Chairman of:* • Audit & Risk Management Committee Appointed 1 February 2008	Mr Brayshaw was formerly an audit partner with a major accounting firm in Perth, having been in practice for some 35 years. He has also held a number of positions in commerce and professional bodies including national president of the Institute of Chartered Accountants of Australia in 2002. He is a director of a number of public and private companies, including independent director and audit committee chairman of both Fortescue Metals Group Limited and AVEA Insurance Limited. He was previously a member of the board of the Small Business Development Corporation.

1. Directors (cont.)

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Mr David Singleton **Managing Director & Chief Executive Officer** *Member of:* • Corporate Governance Committee Appointed 1 February 2008	Mr Singleton has a wide range of operational and management experience including as Managing Director and CEO at Clough Limited and CEO of Alenia Marconi Systems based in Rome, Italy. He was also the Group Head of Strategy, Mergers & Acquisitions with BAE SYSTEMS in London, which through consolidation became one of the largest Aerospace and Defence Companies in the world. He has a degree in Mechanical Engineering from University College, London, is a non-executive director Austal Ltd and Quickstep Holdings and was formerly a non-executive director of Triton Gold Ltd and a director of PT Petrosea Tbk in Indonesia. He is also the Deputy Chair of the Council for Methodist Ladies College in Perth. Mr Singleton was appointed as Chief Executive Officer on 2 July 2007.
Mr Andrew Forrest **Chairman & Non-Executive Director** Appointed 2 July 2007 Resigned 27 September 2013	Mr Forrest was elected as Non-Executive Chairman of Poseidon Nickel Ltd on 2nd July 2007 and resigned on 27 September 2013. Mr Forrest also retired as Chief Executive of Fortescue Metals Group Ltd in 2011. An industry and philanthropic leader, Mr Forrest grew up on a remote Australian sheep and cattle station before attending university. He is the founder and Chairman of Fortescue Metals Group and the Minderoo Group, among other significant charities and companies. After graduating in economics and politics, he built a career in investment banking, mining and farming. He has created some of the largest raw material exporters in the world, while pursuing major social issues on a domestic and international basis. He is an Adjunct Professor of the China Southern University and fellow of the Australian Institute of Mining and Metallurgy. He was awarded the Australian Centenary Medal, the Australia Sports Medal, Australian Social Entrepreneur of the Year, West Australia Citizen of the Year for his contribution to regional development and The Mining Journal's Mining Lifetime Achievement Award and is also Chairman of the Art Gallery of Western Australia. Mr Forrest is widely recognised as a strong community and arts supporter and is very active in ventures to protect and help under-privileged children locally and internationally.
Mr Richard Monti **Independent Non-Executive Director** *Member of:* • Audit & Risk Management Committee • Remuneration, Nomination & Diversity Committee • Corporate Governance Committee Appointed 4 April 2007 Resigned 28 September 2013	Mr Monti has qualifications in Geology (Bachelor of Science with Honours from the University of Western Australia) and Finance (Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia). He has gained broad experience over a twenty six year career working in the technical, corporate, marketing and financial fields of the international exploration and mining industry. He has worked for a number of international and Australian companies including Anaconda Nickel, RTZ Exploration, the North Group, the Normandy Group and Ashton Gold. During a seven year term at Anaconda Nickel he held General Manager positions in technical, commercial and marketing fields. At Anaconda, Mr Monti led the team that built a 1.8 billion tonne resource base of nickel and cobalt through efficient and innovated resource definition and low-cost acquisition programmes.

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Mr Richard Monti (cont.)	Seven years ago he founded Ventnor Capital Pty Ltd, a consultancy which provides corporate advisory and investment banking services to junior and mid-cap listed resource companies. Mr Monti left Ventnor in 2010. Mr Monti is also a Director of Potash Minerals Ltd, Jaguar Minerals Ltd and Troy Resources Ltd and has previously held positions on the board of Azimuth Resources Ltd, Triton Gold Ltd, White Star Resources Ltd and a number of other private and public mining companies.

2. Company Secretary

Mr Kestel is a Chartered Accountant and a former director of the accounting practice Nissen Kestel Harford from July 1980 until April 2010.

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

3. Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	BOARD MEETINGS		AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS		REMUNERATION, NOMINATION AND DIVERSITY COMMITTEE MEETINGS		CORPORATE GOVERNANCE COMMITTEE MEETINGS	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mr A Forrest	5	5	-	-	-	-	-	-
Mr C Indermaur	5	5	5	5	4	4	4	4
Mr R Monti	5	5	5	5	4	4	4	4
Mr D Singleton	5	5	-*	-*	-*	-*	4	4
Mr G Brayshaw	5	5	5	5	4	4	4	4

A - Number of meetings attended

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

* - The above table is for committee members only however, the MD/CEO has attended these meetings by invite

4. Principal Activities

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

5. Consolidated Results

The consolidated loss for the entity for the year ended 30 June 2013, after income tax is $13,382,000 (2012: loss of $3,224,000).

6. Operating and Financial Review

Company Strategy

The Company's near term strategy is the restart of the Windarra Nickel Project ("WNP" or "Project"), located in the heart of Western Australia's premier nickel mining region and the ongoing development of the area which we believe following the discovery of Cerberus will be host to a broader nickel region. Poseidon has invested A$96 million over the last five years in refurbishing the existing mine and facilities and in extending the resource base of the Project to support an initial 10 year mine life. The resource is one of the largest for a West Australian nickel sulphide project that has restarted production in the last decade. The restart of the WNP comprises the following key components:

(a) Re-commissioning of the proven brownfields Mt. Windarra underground nickel mine after a major resource increase following drilling carried out in the past few years. Mt. Windarra has an expected initial estimated mine life of six years although this is expected to be expanded over time with additional drilling and will be supplemented by Cerberus once this asset is developed;

(b) Construction of a standard, low-complexity nickel sulphide concentrator to process ore from Mt. Windarra similar in design to the plant used to process ore at the site under previous ownership. The processing plant will have sufficient excess capacity to allow throughput to be increased at the time the Cerberus deposit is developed;

(c) Construction of a standard, low complexity gold retreatment plant to allow retreatment of an existing gold tailings reserve located on site over a three and a half year period with a total production of 45,600 ounces of gold with no mining risk;

(d) Development of a new underground nickel mine at Cerberus, an ore body which was discovered by Poseidon in 2008. The Cerberus ore body is planned to be brought into production approximately 2 years after the Mt. Windarra mine although this timing could be brought forward or delayed depending on market factors. The stepped approach to commissioning the mines allows Poseidon to reduce development risk and to potentially fund the Cerberus capital cost from internally generated cash flow;

(e) Construction of related on site infrastructure to support the above; and

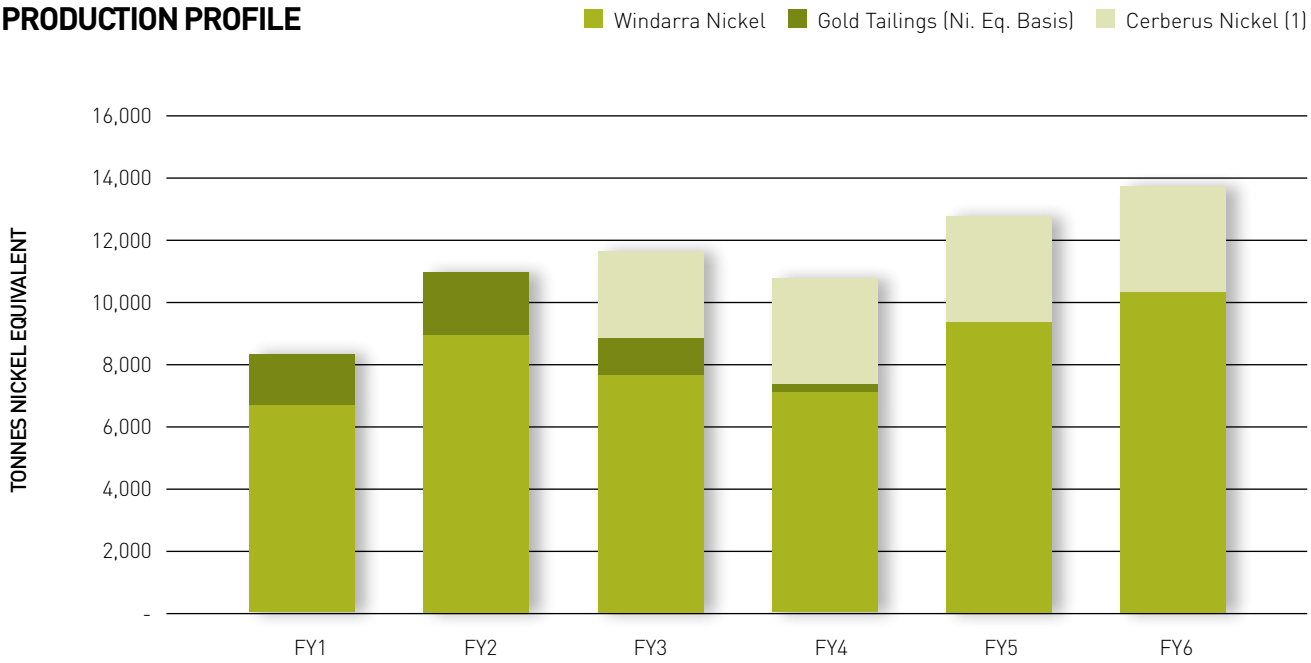
(f) In addition to the above, Poseidon has also progressed the development of a Nickel Tailings Retreatment Facility ("NTRF") to process an existing nickel tailings resource located on the site that may be developed in the future subject to the completion of further engineering studies and government approvals. The NTRF project provides Poseidon with potentially low cost, output expansion and project life extension based on a known mined stockpile. Poseidon has completed advanced studies into the NTRF project and expects it to have an initial thirteen year life with a full Definitive Feasibility Study ("DFS") expected in 2014/15. This project is not being funded as part of the proposed financing, and if ultimately developed, may be funded via internally generated cash flow.

The Company completed a full DFS on the Project in November 2012 and has published the findings. The DFS included multiple studies by specialist companies with a subsequent review being completed by an Independent Technical Expert ("ITE"), Behre Dolbear ("BDA"). BDA is a leading mineral project reviewer who has completed many such reviews on behalf of debt providers and financiers. A final Independent Experts Report ("IER") for the DFS has been prepared and released to the Company for the purpose of financing. Through benefiting from low capital and a second quartile operating costs driven by low mining costs, the DFS has demonstrated that the project is robust and viable in the expected nickel price environment.

Production Profile Summary

Based on the key components of the Project listed above the expected production profile is as follows:

WINDARRA NICKEL PROJECT PRODUCTION PROFILE



Source: Poseidon Nickel

(1) Assumes development of Cerberus based on current plans.

6. Operating and Financial Review (cont.)

Project Highlights

The WNP is a low risk development due to its brownfield nature, modest scale and conventional mining and processing methodology. The Project operated historically for sixteen years under previous ownership and Poseidon believes it is the beneficiary of this operational track record and has access to extensive geological, metallurgical and other data. A summary of the key strengths of the Project are outlined below:

Key strength	Description
1. Brownfield project	• Re-start of a proven, established and substantially refurbished nickel sulphide mine - Benefit of existing site infrastructure valued at ~$52 million[1] as well as access to significant ancillary infrastructure • Proven tried and tested nickel project - Sixteen years of knowledge of the geological conditions and mining and processing experiences from the previous owners of the mine
2. Limited resource risk	• Nickel Sulphide - One of the largest undeveloped high grade nickel sulphide deposits in Australia - Large mining inventory at Mt. Windarra, complemented by Cerberus as a future source of ore feed and substantial in mine resource extension potential - Well understood geology and extensive history of resource to reserve conversion at Mt. Windarra under prior WMC ownership - Opening resource size multiples higher than similar successful peers at same stage • Gold and nickel tailings - Mining inventory in reserve - Reconciliation history
3. Low mining risk	• Mt. Windarra: conventional mining methods complemented by sixteen years of mining history (Poseidon COO ran the underground mine previously and has been running current operations for six years) • Cerberus: conventional mining development methods • Gold and nickel tailings: no mining risk
4. Very low processing risk	• Nickel Sulphide - Conventional, low complexity and small scale process plant - Low levels of contaminants - Sixteen years of processing history of Mt. Windarra ores • Gold tailings - Conventional, low complexity and small scale process plant - Back end of the processing toll treated to third party

[1] *Source: As verified by independent engineering group Rock Team.*

Key strength	Description
5. Short and low risk implementation	• Construction-ready with all approvals in place subject to final financing and offtake arrangements • Low construction and ramp up risk and short construction and ramp up periods - Twelve months construction period based on signed fixed price contracts and six months commissioning and ramp up period - Industry standard, conventional nickel sulphide and gold tailings processing plants combined - West Australian market currently has extensive capacity for the project leading to development certainty and lower capital costs - Historical mine and infrastructure at Mt. Windarra and access to local infrastructure • Staged development of Cerberus and Nickel tailings to reduce development risk
6. Low cost project	• Poseidon expects to be a competitive, low cost producer of nickel, with cash costs projected to be in the second quartile of the industry cost curve • Nickel discovery costs below 10 cents per pound
7. Strong market position	• Concentrates produced by the Windarra Concentrator are expected to be clean, with low impurity and high nickel grade, making them attractive to a range of buyers. The concentrates from Mt. Windarra have a sixteen year history of saleability in the market during the period of WMC ownership and are therefore well understood and have a long history of acceptance by smelters • Poseidon is currently finalising nickel offtake negotiations with multiple, credit worthy counterparties expressing interest
8. Studies reviewed by independent specialists	• DFS based on the work of over ten independent specialist consultants and reviewed by independent technical expert Behre Dolbear • Nickel tailings project supported by preliminary studies and pilot testwork • Nickel supply, demand and price forecasts sourced from leading independent industry specialists
9. Experienced management team and Board of Directors	• Poseidon's senior management team and board members have significant experience in the mining industry, including considerable experience with nickel projects around the world • Management team includes former underground mine manager of Mt. Windarra • Poseidon's Board of Directors was established and previously led by Non-Executive Chairman and major shareholder, Andrew Forrest, who remains a major shareholder and is the current Non-Executive Chairman of Fortescue Metals Group
10. Attractive operating environment	• Australia is one of the world's leading investment locations • Australia hosts amongst the world's largest nickel Reserves • Mt. Windarra located within a well-established nickel province with a long-term history of regional mining operations

6. Operating and Financial Review (cont.)

Project Highlights (cont.)

Key strength	Description
11. Strong market demand/ supply dynamics	• Demand and supply factors in the medium term are expected to be favourable for the outlook for the nickel price, with industry experts expecting nickel deficits in the medium term • Consensus Economics picks nickel as one of the best price performers in the medium term[2] • Nickel sulphide producers, similar to Windarra, are generally lower in operating cost and have lower capital intensity than other types of nickel producers in the world but new mines are now rare
12. Robust economics and substantial operational flexibility	• Large liquidity reserves with two year pre-funded interest during construction, ramp up and into production • Additional contingency and cash reserves • Approximately two thirds of upfront capital costs under contract primarily in lump sum turnkey • Gold Tailings provides strong cash generation during ramp up and early years of Mt. Windarra • Strong cashflow profile with significant increasing CFADS as nickel grade improves with ore body depth • Substantial excess capacity at Mt. Windarra and Cerberus mines and the Windarra Concentrator • Cerberus and NTRF provide future operational flexibility and represent potential additional revenue streams

[2] *Source: Consensus Economics (April 2013).*

Project Approvals

In November 2012 the Company received conditional approval of the application to recommence nickel mining at the WNP from the Premier, The Hon. Colin Barnett MLA, Minister for State Development. The application included all of the necessary environmental and infrastructure approvals which have been assessed by the Department of State Development ("DSD") and other agencies over the past several months. The Premier has given Poseidon until 30 June 2014 to provide reasonable evidence that it has secured its marketing (off-take) and project financing necessary for the fulfilment of the Company's proposals.

The Project approval includes all the necessary environmental licences, construction and operational licences and native title approvals. The Project approvals are listed below:

Approval	Project Components	Timing
Poseidon Nickel Agreement (the "State Agreement")	• Agreement between Poseidon and the State Government of Western Australia which governs the Project. Approval for the Project obtained from the Minister for State Development, subject to final financing and marketing arrangements, the conditions precedent ("CP")	Up to 30 June 2014
Project Management Plan	• Submitted to DMP safety February 2012	Approved
Stage 1 Mining Proposal	• Rev 0 submitted November 2011 • Rev 1 submitted January 2012 to address Department of Mines & Petroleum feedback	Approved subject to CP
Stage 2 Mining Proposal	• Submitted December 2011	Approved subject to CP
Stage 3 Mining Proposal	• Submitted January 2012	Approved subject to CP
Stage 1 Works Approval	• Windarra Nickel Project • Submitted November 2011, received significant feedback from Department of Environment & Conservation	Approved subject to CP
Stage 2 Works Approval	• Gold Processing Plant, In-pit Tailings Storage and Development of Cerberus Underground Mine • Submitted February 2012, received significant feedback from Department of Environment & Conservation	Approved subject to CP
Water Abstraction License	• Department of Water - submitted February 2012	Approved
Building Approvals	• Application will be submitted post the above approvals being received	During construction
Haul Roads and Intersection Approval	• In progress	During construction
License to Operate	• Application submitted at mechanical completion	Post construction

6. Operating and Financial Review (cont.)

Other Key Contracts

The Company has previously announced an intention to enter into a contract with Arccon based in Western Australia and China based NFC for the construction of the project processing plant and other above ground infrastructure. In June 2013 Poseidon was informed by Arccon's parent company, Allmines, that it was entering voluntary administration. Subsequently, Arccon has ceased trading. During the DFS, Poseidon ensured that it funded plant design engineering works to ensure that it was firmly in control of the design of the process plant and that it had control of the design data packs. This has enabled Poseidon to rapidly re-tender the plant and infrastructure package which is now well advanced in step with the Company's development aims. In addition, Poseidon has contacted NFC in China with the aim of maintaining the option of its involvement although as a result of the Arccon situation, no current agreement exists between the parties.

The remaining decline refurbishment has been contracted to GSM Mining ("GSM") of Kalgoorlie who will also undertake initial production mining at Mt. Windarra. GSM have undertaken all of the decline refurbishment completed to date and the costs per metre to complete the work can therefore be forecast with confidence. The contract is on a rates basis.

Poseidon has negotiated contracts for the Cerberus box cut excavation and surface earthworks, construction of the process plant and is in negotiation for contracts for the Cerberus underground development, decline rehabilitation, Windarra underground development, drilling services, gold tailings and carbon processing. Poseidon is working with an independent engineer to provide contract project management services in connection with the implementation of the Project. It is expected that approximately two thirds of the required capital expenditure (excluding nickel tailings) will be under fixed price or fixed rate contracts by the time the financing is completed.

Operations

Poseidon has been progressively dewatering the underground mine at Mt. Windarra over the last 18 months using a single high power pump connected by approximately 440 metres of steel piping running down the main lift shaft. This pumping set up has recently reached the limits of its capability and the dewatering system will now need to be reconfigured to complete this work by putting stage pumps into the lower areas of the mine and lifting the water to the surface from an existing service bore hole. To date the water has met environmental standards for pumping into a local salt water creek however Poseidon has now concluded that it will need to add filtration to the set up to ensure water quality is not compromised as the final depths of the mine are pumped. This pumping set up is now being designed and suitable temporary equipment to complete the task is being identified and will need to be installed before drilling from underground is recommenced.

Exploration

In mid-November 2012 underground drilling restarted at Mt. Windarra after 20 years of mine closure with the aim of infilling and defining mineralisation at Mt. Windarra in preparation for mine reserve estimation. Following the commissioning of the first underground rig and the installation of the required underground services, a second drilling rig was implemented in mid-February to assist in the drill out of the Windarra Deeps mineralisation.

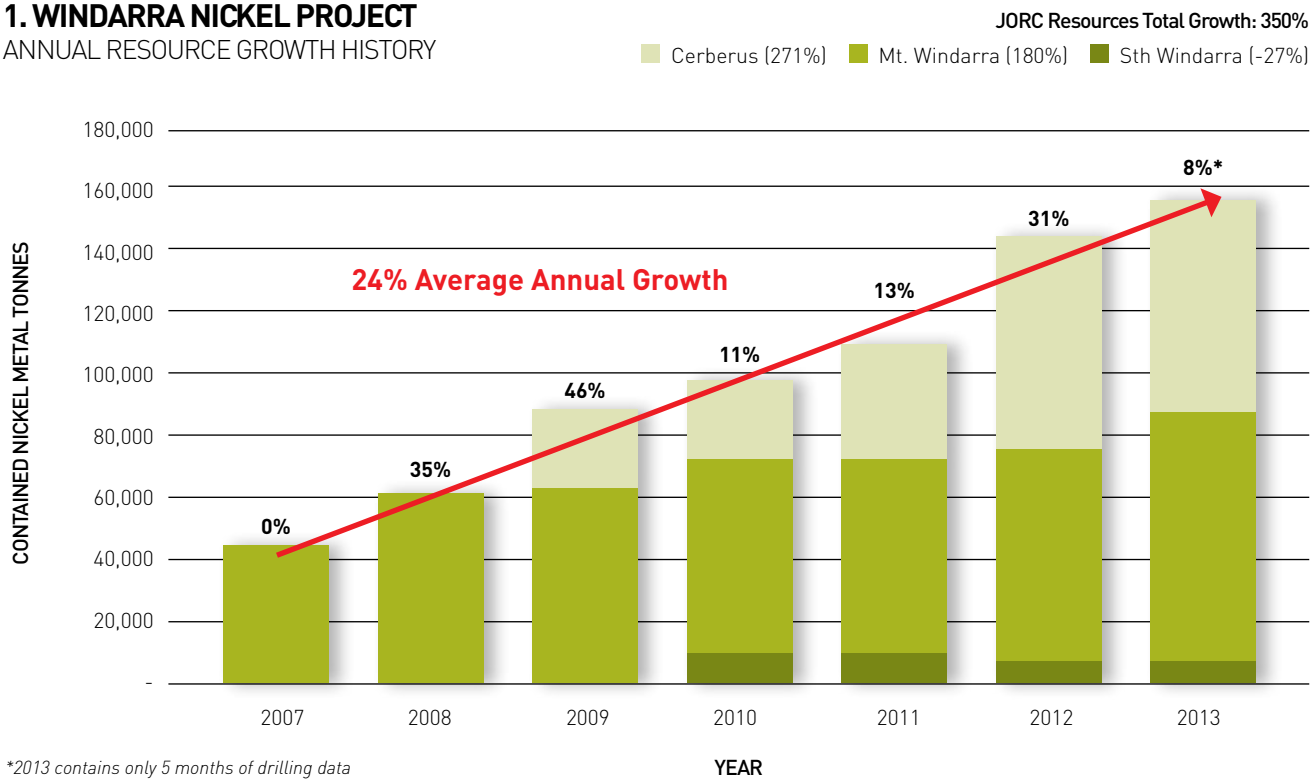
The underground drilling programme has delivered outstanding success with a 19% increase in resource tonnages and contained nickel metal at Mt. Windarra, accompanied by an improvement in the JORC confidence category of the resource. Consequently, there has been a corresponding increase in the conversion of resources to reserves with a 121% increase of Probable Ore Reserves at Mt. Windarra (Table 1). Of particular note is the much higher reserve grade which is now more in line with the historical mine performance. These results build on the track record of solid resource growth which has been at an average annual rate of 24% in nickel tonnage terms since 2007 (Figure 1).

The drilling of C and F Shoot has had a positive outcome resulting in an increase in Probable Ore Reserves, which now stands at 498,000 tonnes at 1.78% Ni containing 8,850 tonnes of nickel metal (Table 1). Historically the average mining head grade at Mt. Windarra was 1.58% nickel over the life of the mine.

			ORE RESERVE CATEGORY PROBABLE
Windarra Nickel Sulphides	**Tonnes**	**Ni% Grade**	**Ni Metal t**
Cerberus	1,221,000	1.3	15,900
Mt. Windarra	498,000	1.78	8,850
Total	1,719,000	1.44	24,750

Table 1: Mt. Windarra Mineral Ore Reserve Estimate (Rockteam May 2013)

1. WINDARRA NICKEL PROJECT
ANNUAL RESOURCE GROWTH HISTORY



**2013 contains only 5 months of drilling data*

Underground drilling up to July 2013 has led to further high grade nickel zones being added to the current Mt. Windarra Mineral Resource (Table 2), which will allow the project to have a significantly greater output during at least its first two years of production. This drilling has resulted in significant resource growth of the C Shoot and newly discovered extensions of the F Shoot, which adds additional high grade, thicker mineralised zones to the Mt. Windarra ore body. These zones have the potential to double the size of the estimated mineable ore body in the areas drilled and add very significant tonnages to the overall resources at Mt. Windarra.

F Shoot has grown in contained nickel tonnage terms by 135% to 244,000 tonnes at 1.77% nickel meaning that this ore body is now of sufficient size and grade to be economically mined. Poseidon expects that F Shoot will continue to grow through drilling as it is open at depth as well as to the south and further drilling will be undertaken in these areas. In addition, the newly discovered extensions to F Shoot have delivered resources of sufficient JORC confidence category to allow immediate conversion to mining reserves (Tables 1 & 2). The mineralised zone is approximately 3m in width and currently extends over 350m high by 130m in size and remains open at depth.

6. Operating and Financial Review (cont.)

Exploration (cont.)

C Shoot, which had already been included in the mining inventory for the site, has been increased through the drilling programme by 32% (in nickel tonnage terms) to 1,926,000 tonnes at 2.06% nickel (Table 2). Importantly, the central C Shoot thickness has increased from a previously interpreted thickness of 4-5 metres to a thickness of 8-9 metres, with a lower grade halo that is seen to expand out to 12-15m thickness in places.

The completion of the original 6 month programme has revealed many new features of the Mt. Windarra mine not previously understood which have led to a larger than expected resource extension (see Table 6 for complete list of drilling results). The programme has now been brought to a temporary halt whilst the data received is reinterpreted with historic data to redesign the next phase of the drilling programme. Future drilling will be designed to further infill the resource and to determine the extent and vertical depth of the zones as well as targeting the newly defined high grade zones.

Other significant Shoots - D, G and H - will be more extensively drilled in the future. Table 2 details the current Mineral Resources including the other shoots at Mt. Windarra.

		MINERAL RESOURCE CATEGORY								
		INDICATED			INFERRED			TOTAL		
Mt. Windarra Nickel Sulphides	Cut Off Grade	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
A Shoot	0.75%				85,000	2.19	1,900	85,000	2.19	1,900
A-HW Shoot	0.75%	340,000	1.06	3,600				340,000	1.06	3,600
B Shoot	0.75%				80,000	1.42	1,100	80,000	1.42	1,100
C Deeps	0.75%	331,000	1.83	6,000	1,595,000	2.10	33,600	1,926,000	2.06	39,600
D Deeps	0.75%				519,000	1.55	8,000	519,000	1.55	8,000
G Deeps	0.75%				1,097,000	1.44	16,000	1,097,000	1.44	16,000
G Shoot (Upper)	0.75%	406,000	1.15	5,000	43,000	1.10	500	449,000	1.14	5,500
F Shoot	0.75%	110,000	1.85	2,000	134,000	1.70	2,000	244,000	1.77	4,000
H Shoot	0.75%	30,000	1.80	500				30,000	1.80	500
Total Sulphide		**1,217,000**	1.39	**17,100**	3,553,000	**1.78**	63,100	**4,770,000**	1.68	**80,200**

Table 2: Mt. Windarra Mineral Resource Estimate (Optiro May 2013)

The Company suspended drilling and associated refurbishment activities at Mt. Windarra at the completion of this 7 month drilling programme which will allow the geological team to update its geological models and to plan the next drilling programme of work which we believe will continue to build on the drilling completed to date.

The programme of work, as described separately in this report, was significantly more successful than had been expected and resulted in a significant resource and reserve upgrade. Equally importantly, the drilling work indicated that further resource expansion can be anticipated given the insights into the ore body that have been obtained, in part from a clearer geological understanding using modern nickel models and additionally that we have now seen that certain drill holes being used by Western Mining were located incorrectly. Some of the best drill intercepts made during the drilling programme and during all of Poseidon's drilling work, were made subsequent to the cut off for inclusion in the upgraded models. These will be included in the next resource re-estimation (Figure 2), once sufficient drilling data has been collected during the next drilling campaign.

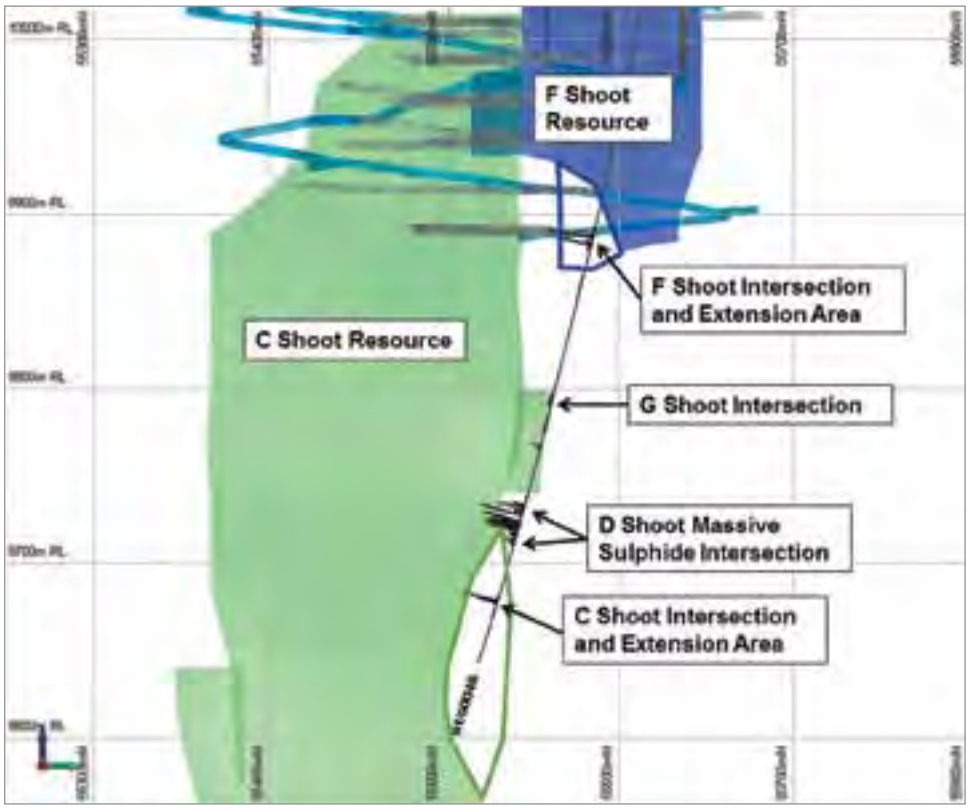


Figure 2: Targets intersected by WUG0046 showing potential resource extension areas.

Of great interest to Poseidon are the potential extensions to A & B Shoots (Figure 3) below what was previously mined out by WMC. Geological theory indicates that A & B Shoots sit in channelised lava systems, which in Mt. Windarra's case, extend for at least 1km underground. For A & B Shoots to terminate at approximately 300m vertical depth would be highly unusual in this setting. WMC believed that A & B Shoots have further mineralisation at depth but did not exhaustively test the theory. Access to modern underground electromagnetics and even radar imagining techniques has meant that if the mineralisation is there, it will be found. An extension to A & B Shoots could dramatically improve the vertical ore mining rate being positioned so close to the current decline.

6. Operating and Financial Review (cont.)

Exploration (cont.)

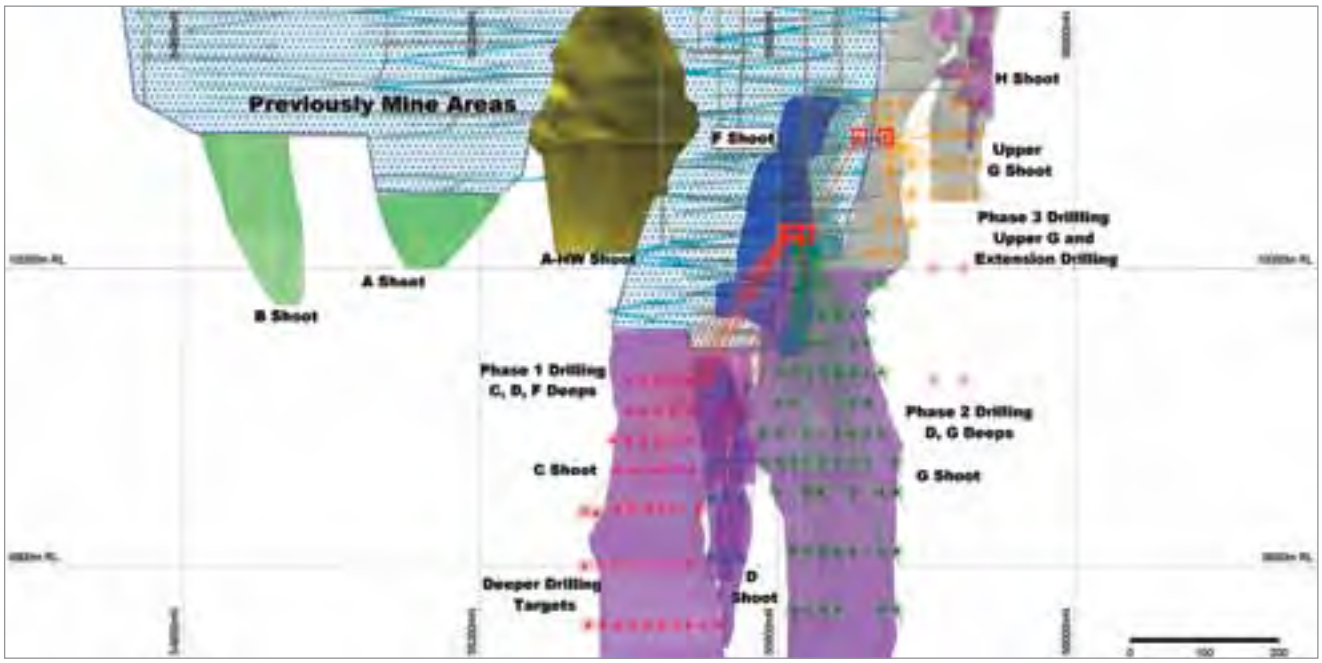


Figure 3: Long section (looking west) showing the underground drilling program and drill target positions required to define the known mineralisation ready for reserve estimation.

A surface diamond drill rig progressed the final geotechnical HQ core holes at Cerberus into the proposed box-cut and decline locations. This information will allow the box-cut and final mine design to be completed in preparation for commencement of the development.

One deeper geotechnical HQ core hole was completed through to Cerberus mining stope position for stress measurement test work and to collect further metallurgical samples. Two more holes will be completed in the future for further stress test work as infill drilling and mining reserve estimates progress down the length of the Cerberus mineralisation.

The Company also announced that as a result of the DFS an initial ore reserve has been assessed at the Company's planned Cerberus underground mine (Figure 4). The upper portion of the Cerberus deposit, which is included in the life of mine plan, has been classified as a **Probable Ore Reserve** under the JORC 2004 code guidelines comprising:

1,221,000 ore tonnes at an average diluted grade of 1.30% nickel for 15,880 contained nickel metal tonnes.

The initial ore reserve extends from 60 meters below the surface to a depth of 380 metres below the surface. The conversion of the resource to ore reserve only includes the upper portion of the deposit that has been drilled to JORC Indicated Resource level. The Cerberus deposit contains a total resource (Indicated and Inferred) of **4,551,000t at an average grade of 1.51% for 68,600t of nickel metal**. The remaining deposit that is classified as Inferred Resource, lies below the ore reserve and requires additional infill drilling to convert it to an Indicated level then it will be eligible for reserve estimation. The drilling programme at Cerberus included a number of holes required to understand the geotechnical condition at the proposed site due to low rock strengths identified in the Cerberus ore.

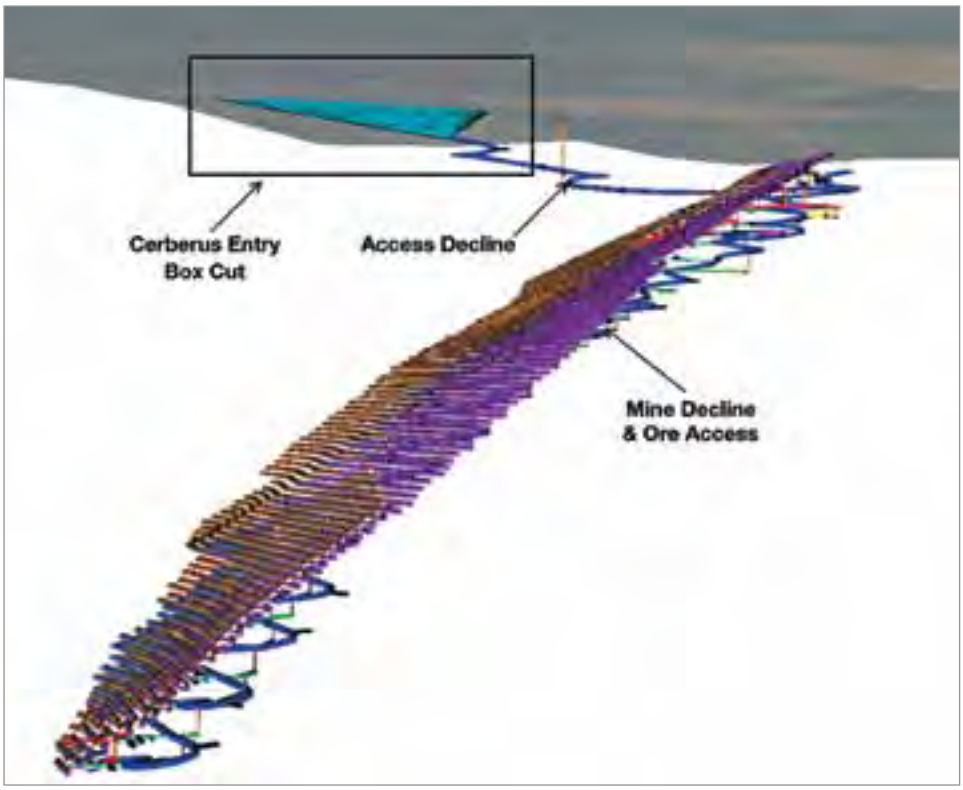


Figure 4: Graphic of mine plan for the Cerberus ore body developed by Poseidon's independent mining consultants

A total of 46% of the Indicated Resource was converted to Probable Reserves. The near surface-low grade halo at the southern end of the deposit and the thinner high-grade hanging-wall lodes were excluded from the reserve but may be included as nickel prices improve in the future. Poseidon is expecting a higher resource to reserve conversion for the remaining Inferred Resources which are situated below the defined reserves. The deeper Inferred Resources comprises higher total ore grades that are increasing with depth within the Cerberus ore body, replicating the grade distribution that is also seen at the Mt. Windarra ore body. Cerberus has only been drilled to a depth of 700m below surface to date and is open at depth. Poseidon believes that the Cerberus ore body will continue to grow in width and depth with additional drilling.

The Cerberus ore, which will be processed through nickel sulphide concentrator at Mt. Windarra, has good flotation characteristics with a recovery of circa 86% producing a low impurity nickel concentrate with an average grade of 16% (excluding Mt. Windarra ore).

In addition, regional exploration drilling was completed during the third quarter of 2012 at the North Denny Bore Project which hosts the 68,600t Cerberus Nickel Deposit. Topdrive Drilling completed 12 holes for 3,872m of drilling at Denny Bore North and at Ziggy Flats to the south, utilising a UDR650 multi-purpose rig (RC & DD capability).

The program comprised drilling RC drill precollars and completing the holes with diamond core tails to test an area 1km long north of Cerberus, to a depth of 450m below surface. Mt. Windarra mineralisation comprises of 8 parallel ore bodies, so it's anticipated that parallel mineralisation may exist near Cerberus.

Results received included:

0.97m @ 1.02% Ni from 105.75m in PNRCD0192 at Denny Bore North
1.75m @ 0.76% Ni from 176.00m in PNRCD0184 at Denny Bore North
0.70m @ 0.55% Ni from 271.00m in PNRCD0195A at Ziggy Flats

6. Operating and Financial Review (cont.)

Exploration (cont.)

The rock types observed in the drill core and the anomalous intersections returned to date indicate that a lava channel system is beginning to develop to the north. The northern most drill holes of this program appear to have intersected the edge of the lava channel which is interpreted to thicken to the north and results to date indicate that it hosts traces of nickel sulphides and may contain thicker accumulations towards the centre and base of the channel warranting further drill testing.

Down Hole Electro-Magnetics (DHEM) were completed on the drill holes, testing for nickel sulphide mineralisation away from the drill holes. An off-hole conductor was detected in holes PNRCD0192 and 193 which was not effectively explained by the drilling or the mineralisation intersected in PNRCD0192. Geophysical modelling of the data is not conclusive in terms of the orientation but the anomaly was detected in both holes. Rock types observed in the drill core and the anomalous intersections indicate that a lava channel system is beginning to develop to the north and this DHEM anomaly may be the start of a mineralised lava channel. The DHEM target as well as the area highlighted to the north (Figure 5) warrant additional drill testing.

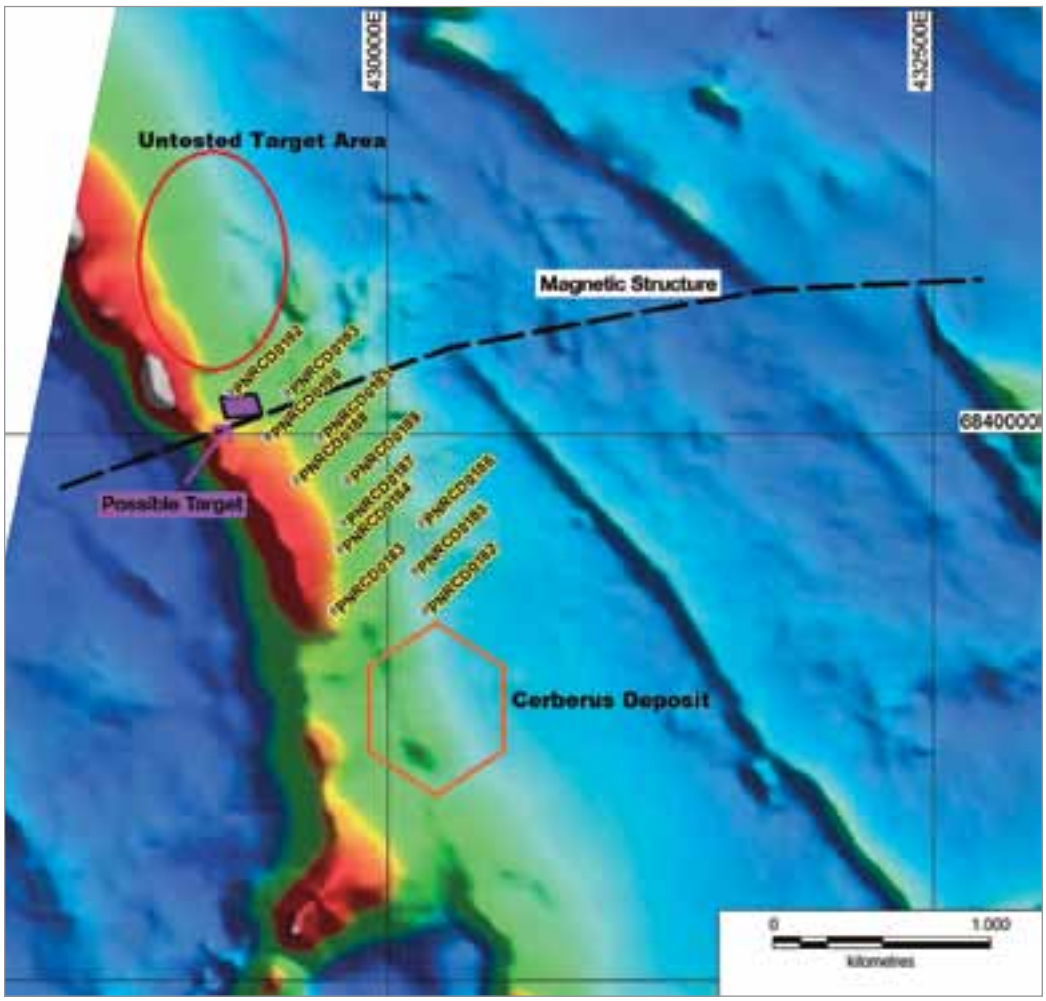


Figure 5: Aeromagnetic image showing location of recent drilling north of Cerberus. The DHEM target as well as the prospective untested area to the north is highlighted.

Ore Reserve Statement

	ORE RESERVE CATEGORY		
	PROBABLE		
Windarra Nickel Sulphides	Tonnes	Ni% Grade	Ni Metal t
Cerberus	1,221,000	1.3	15,900
Mt. Windarra	498,000	1.78	8,850
Total	**1,719,000**	**1.44**	**24,750**

Table 3: Windarra Nickel Project Ore Reserve Statement

Mineral Resource Statement

		MINERAL RESOURCE CATEGORY								
		INDICATED			INFERRED			TOTAL		
Windarra Nickel Project Sulphides	Cut Off Grade	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Mt. Windarra	0.75%	1,217,000	1.39	17,100	3,553,000	1.78	63,100	4,770,000	1.68	80,200
South Windarra	0.80%	772,000	0.98	7,500	-	-	-	772,000	0.98	7,500
Cerberus	0.75%	2,773,000	1.25	34,600	1,778,000	1.91	34,000	4,551,000	1.51	68,600
Total Sulphide		**4,762,000**	**1.24**	**59,200**	**5,331,000**	**1.82**	**97,100**	**10,093,000**	**1.55**	**156,300**

Table 4: Windarra Nickel Project Mineral Resource Statement

	MINERAL RESOURCE CATEGORY - GOLD TAILINGS		
	INDICATED		
Windarra Gold Tailings Project	Tonnes	Grade (g/t)	Au (oz)
Total Gold Tailings	**10,993,000**	0.52	**182,500**

		RESOURCE CATEGORY - NICKEL OXIDE & TAILINGS								
		INDICATED			INFERRED			TOTAL		
Windarra Nickel Tailings & Oxide Project	Cut Off Grade	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Woodline Well	0.50%				344,000	1.25	4,300	344,000	1.25	4,300
Sth Windarra Dumps	0.00%	2,976,000	0.41	12,200				2,976,000	0.41	12,200
Central Tailings Dam	0.00%	9,602,000	0.34	32,600				9,602,000	0.34	32,600
Total Oxide		**12,578,000**	**0.36**	**44,800**	**344,000**	**1.25**	**4,300**	**12,922,000**	**0.38**	**49,100**

Table 5: Windarra Tailings & Oxide Project Mineral Resource Statement

6. Operating and Financial Review (cont.)

Exploration (cont.)

Mt. Windarra Significant Intersections 2012-2103

Hole_ID	Dip/Azi	From (m)	To (m)	Interval (m)	True Width (m)	Ni%	Comment
WUG0012	-32/245	463.74	474.60	10.86	9.37	2.05	C Shoot
	including	*465.42*	*471.00*	*5.58*	*4.81*	*2.76*	
WUG0013	-45/248	472.00	475.72	3.72	3.10	2.02	C Shoot; Eastern Zone
		480.21	483.21	3.00	2.50	1.77	C Shoot; Western Zone
	including	*482.17*	*483.21*	*1.04*	*0.87*	*3.47*	
WUG0020	-36/246	144.24	147.24	3.00	2.32	1.79	F-Shoot
WUG0020A	-42/244	408.00	423.75	15.75	12.00	1.67	C Shoot
	including	*413.31*	*423.75*	*10.44*	*7.48*	*2.22*	
WUG0021	-46/270	163.38	171.30	7.92	5.70	1.91	F-Shoot & Hanging-wall
	including	*165.52*	*170.81*	*5.29*	*3.81*	*2.52*	
		178.37	181.10	2.73	1.97	1.14	F-Shoot Foot-wall
WUG0023	-55/271	185.69	189.06	3.37	2.05	1.21	F-Shoot Hanging-wall
WUG0024	-40/271	149.00	160.54	11.54	8.84	1.31	F-Shoot
	including	*149.00*	*155.00*	*6.00*	*4.60*	*2.00*	
		171.14	175.00	3.86	2.96	0.91	F-Shoot
WUG0025	-21/282	146.00	150.00	4.00	3.73	2.02	F-Shoot Foot-wall
		154.00	157.00	3.00	2.80	1.57	F-Shoot
		210.08	213.00	2.92	2.73	2.18	G Shoot
WUG0028	-37/246	157.14	158.81	1.67	1.33	1.38	F-Shoot Hanging-wall
WUG0029	-38/282	233.67	240.10	6.43	5.03	1.12	G Shoot
WUG0030	-45/285	248.81	254.20	5.39	3.80	2.01	G Shoot
WUG0031	-38/245	147.15	151.74	4.59	3.62	1.38	F-Shoot
WUG0033	-38/245	293.00	296.00	3.00	2.36	1.30	D Shoot
		316.07	319.76	3.69	2.91	1.35	D Shoot
		388.00	405.78	16.70	13.16	2.24	C Shoot
	including	*393.00*	*402.00*	*9.00*	*7.09*	*2.88*	
WUG0034	-37/240	147.00	151.87	4.87	3.89	1.32	F-Shoot
		387.75	407.00	19.25	15.53	1.84	C Shoot
	including	*396.00*	*406.00*	*10.00*	*8.05*	*2.66*	
WUG0035A	-42/245	319.00	323.00	4.00	2.97	1.25	D Shoot
		410.92	421.40	10.48	7.90	1.90	C Shoot
	including	*414.00*	*418.00*	*4.00*	*2.99*	*2.55*	
	-41/243	328.30	342.00	13.70	8.97	1.31	D Shoot
WUG0037B		415.68	421.60	5.92	4.47	2.14	C Shoot

Mt. Windarra Significant Intersections 2012-2103 (cont.)

WUG0038	-46/244	321.00	324.50	3.50	2.43	1.50	D Shoot
		424.00	432.96	8.96	6.22	1.98	C Shoot
	including	*429.00*	*432.50*	*3.50*	*2.43*	*3.00*	
WUG0039	-39/252	154.00	156.19	2.19	1.70	1.97	F Shoot
		284.00	286.46	2.46	1.91	1.26	D Shoot
		374.00	376.44	2.44	1.90	2.21	C Shoot
WUG0040	-30/258	132.08	134.09	2.01	1.74	2.56	F Shoot
WUG0041	-38/258	145.36	149.00	3.64	2.88	1.16	F Shoot
WUG0042	-45/258	389.70	391.95	2.25	1.60	1.11	C Shoot
WUG0043	-54/236	505.00	510.04	5.04	2.94	1.59	C Shoot
WUG0044	-50/242	472.20	478.54	6.34	4.04	1.57	C Shoot
WUG0045	-46/230	**494.5**	**507**	**12.5**	**8.68**	**2.36%**	C Shoot
WUG0046	-54/250	**192.4**	**198.54**	**6.14**	**3.57**	**2.77%**	F Shoot
		306.76	310.4	3.3	1.95	1.01%	Edge of G Shoot
		383.01	**411.54**	**28.53**	**17.53**	**3.52%**	**D Shoot: Upper & Lower Zone** *(includes 3.57m wide barren zone)*
	Comprising	*383.01*	*390.95*	*7.94*	*4.87*	*2.91%*	*Upper Zone*
	and	*394.52*	*411.54*	*17.02*	*10.46*	*4.36%*	*Lower Zone*
	including	***394.52***	***402.8***	***8.28***	***5.08***	***7.10%***	***High Grade Massive Sulphide in Lower Zone***
		453.1	**455**	**1.9**	**1.2**	**5.54%**	**High grade edge to C Shoot**
WUG0047	+1/256	215.00	216.00	1.00	1.00	1.19	D-Shoot. Sample from historic mined stope
WUG0048	-12/256	-	-	-	-	-	No Significant Assays
WUG0049	+1/269	122.16	131.90	9.74	9.74	1.10	F-Shoot
	including	*122.16*	*124.59*	*2.43*	*2.43*	*1.80*	
WUG0050	-53/259	309.00	310.00	1.00	0.58	1.13	Edge of G-Shoot
		388.91	390.05	1.14	0.67	1.34	D-Shoot
		393.75	397.91	4.16	2.45	1.71	D-Shoot
		407.92	409.20	1.28	0.76	1.12	D-Shoot
		411.00	411.60	0.60	0.35	1.96	D-Shoot
		415.00	417.00	2.00	1.18	1.01	D-Shoot
WUG0051	-12/269	123.17	132.80	9.63	9.51	1.18	F-Shoot
	including	*123.17*	*127.00*	*3.83*	*3.78*	*1.64*	
		137.00	138.00	1.00	0.99	1.17	F-Shoot Footwall Lode
WUG0052	-24/269	126.25	132.00	5.75	5.42	1.17	F-Shoot
		144.00	145.90	1.90	1.79	1.07	F-Shoot Footwall Lode
WUG0053	-19/266	122.40	125.97	3.57	3.42	1.13	F-Shoot
		210.17	212.91	2.74	2.64	2.91	G-Shoot

Table 6: Full list of Windarra underground drilling result significant intersections

6. Operating and Financial Review (cont.)

Competent Person Statement

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

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

Mr Hutchison, Mr Glacken and Mr Grubic all have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' (the JORC Code 2004) Mr Hutchison, Mr Glacken and Mr Grubic have consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

Financial Position

For the year ended 30 June 2013 the Company incurred a loss of $13,382,000 (2012: loss $3,224,000) which includes the movement in the valuation of the convertible note liability, derivative liability, depreciation and share-based payment expense which are all non-cash items. If these items are excluded, the underlying loss for the Company for the year is $4,964,000 (2012: $5,124,000). The working capital deficit for the period of $37,884,000 (2012 deficit: $5,241,000) includes the following items: the convertible note liability of $22,734,000 and the convertible note derivative liability of $6,142,000 that can only be settled in shares if called by the note holders prior to its redemption date of 28 March 2017, a provision for environmental rehabilitation of $3,500,000 that is cash backed (non-current asset) and an unsecured $8,000,000 Bridge Loan provided by Forrest Family Investments Pty Ltd ("FFI"), an entity controlled by the Company's former Chairman, Mr Andrew Forrest. The maturity date of the loan has been extended initially from 1 July 2013 to 1 October 2013 and now for a further 12 months to 1 October 2014 or earlier if the Company completes a final capital raising. The lender has exercised their right to demand that the Bridge Loan is repaid through the proceeds of an equity raising as soon as reasonably practicable but no later than the maturity date. The Directors believe that for these collective liabilities there will be no requirement to repay the obligation from current available cash because of the terms of the above arrangements and the financing plans.

The Company had a net cash outflow used in investing activities of $12,048,000 (2012: outflow $15,533,000), reflecting the ongoing expenditure on exploration and mine refurbishment activity and the completion of a Definitive Feasibility Study ("DFS") for the Windarra Nickel Project ("WNP"). These investing activities were financed by available cash balances including the unsecured $8,000,000 Bridge Loan provided by FFI in 2012. An interest rate of 13% per annum applies to this loan with interest now payable each quarter until fully repaid. A 1.5% exit fee is payable on the Bridge Loan amount when the principal is repaid.

As at 30 June 2013, the Company had cash and receivables of $4,700,000 which includes cash on hand of $2,600,000 plus a refundable tax offset from the ATO under the Research and Development Tax Incentive scheme ("R&D") for $2,100,000, received on 2 July 2013 and in relation to the 2012 tax year. The Company has also prepared and submitted its 2013 R&D claim which has resulted in a further $2,500,000 refundable tax offset being received on 13 September 2013. In addition, Poseidon has made a request under the West Australian MRF Scheme to recover a $3,500,000 bond held by the State Government. This application is currently under review. As it requires individual approval because the tenements are subject to the Poseidon Nickel Agreement Act 1971 (as varied in 2007) rather than being managed solely under the mining act of Western Australia. The Directors, therefore, consider the going concern basis of preparation to be appropriate (refer to note 3 in the Notes to the consolidated financial statements in relation to going concern and the Auditor's report in relation to an emphasis of matter).

Project Financing and the Nickel Market

The Company is being advised by Grant Samuel and has engaged Credit Suisse to assist in developing the various alternatives towards financing the Project. Credit Suisse is a major international investment bank which recently led a successful major debt financing for Fortescue Metals Group. Windarra is a low risk development due to its brownfields nature, modest scale and conventional mining and processing methodology. A key feature of the Project is its ability to service debt even in a downside commodity environment.

Shareholders will recognise that during mid-2013 the market entered a period where investor sentiment towards new mining projects across the spectrum of resources weakened in addition to reported softening of US debt markets emanating from announcements by the US Federal reserve. In spite of these macro movements, the Company will continue with its activities towards project funding although it recognises that delays are likely to occur. Poseidon remains confident however, that macro issues surrounding commodities, nickel and debt financing will improve as fundamental medium term predicted shortages of nickel supply and strength of stainless steel demand reassert themselves on pricing. The nickel price is expected, on a consensus view , to outperform most other mineral commodities as measured by expected Compound Annual Growth Rate over the next few years.

In addition, new nickel sulphide projects of this type are rare in the world but their relative simplicity and use of industry standard processing and mining techniques makes them desirable over nickel laterites. A significant proportion of new supply nickel into the market however is projected to come from nickel laterites which generally have significantly higher capital and operating costs which will further improve Poseidon's cost advantage over time.

Project Development Capital

As discussed earlier in this report, the Company has invested A$96 million in the WNP which together with the value of the existing infrastructure in place equates to an overall equivalent investment of A$146 million to date. The additional Project capital to first production is identified in the table below.

	Category	Amount (A$m)
Capital invested to date	Value in place of existing project infrastructure at time of acquisition	~$52m
	Acquisition cost	-$9m
	Drilling capital expenditure post acquisition	~$26m
	Refurbishment of Mt. Windarra mine	~$26m
	Feasibility studies	~$6m
	Process testwork (nickel sulphide, gold & nickel tailings)	~$6m
	Environmental bonds	~$4m
	Other capital expenditure post acquisition	~$19m
	Sub total - invested to date	**~$146m**
Future capital to first production	Exploration & evaluation	$5m
	Mine development & infrastructure	
	Mine development	$55m
	Capital equipment	$122m
	Project costs	$15m
	Capex contingencies	$9m
	Sub total - future capital to first production & ramp-up	**$207m**
	Total expenditure	**-$353m**

6. Operating and Financial Review (cont.)

Significant Shareholders

Jeffries Bank, a global securities and investment banking group which has been operating for over 50 years in 30 cities around the world, acquired the shares and the Convertible Notes from Harbinger Capital Partners ("Harbinger") in November 2012 following a restructuring of the Harbinger funds. The change of ownership sees the introduction of a significant new shareholder in Poseidon Nickel.

On 27 September 2013, Mr Andrew Forrest resigned as Chairman of the Company due to his overwhelming philanthropic duties. During his time as Chairman, the Company has taken the project from a concept to an exciting project ready for construction. Mr Forrest will continue to be a major shareholder and continue to support the Company. Mr H E "Bud" Scruggs has been elected as the new Chairman having served as Mr Forrest's alternate on the board since September 2012 and was previously the CEO of The Metal Group, then the private holding company of the business interests of Andrew and Nicola Forrest and COO of the Australian Children's Trust which was the principal philanthropic entity of the Forrest family. In addition, Mr Richard Monti has resigned as a director.

7. Corporate Governance Statement

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

To ensure that the board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

7.1 Corporate Governance Disclosure

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

7.2 Role of the Board

The key responsibilities of the board include:

- Appointing, evaluating, rewarding and if necessary, the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times, the state of health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately. Further, approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;

- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted and that its practice is consistent with a number of guidelines, being:
  - Directors and Executive Officers Code of Conduct;
  - Dealing in Securities; and
  - Reporting and Dealing with Unethical Practices.
  - Reporting to and advising shareholders.

7.3 Structure of the Board

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

An independent director is a non-executive director (i.e. is not a member of management) and:

- Is not a substantial shareholder of the Company or an officer of, or otherwise associated with, a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company or its subsidiaries, or been a director after ceasing to hold any such employment;
- Is not a principal or employee of a professional adviser to the Company or its subsidiaries whose billings are a material part of the advisor's total revenue. A director who is a principal or employee of a professional advisor will not participate in the provision of any service to the Company by the professional adviser;
- Is not a significant supplier or customer of the Company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the Company are a material part of the supplier's total revenue. A significant customer is one whose amounts payable to the Company are a material part of the customer's total operating costs;
- Has no material contractual relationship with the Company or its subsidiaries other than as a director of the Company;
- Has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company;
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

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

Name	Position
Mr C Indermaur	Non-Executive Director
Mr R Monti	Non-Executive Director
Mr G Brayshaw	Non-Executive Director

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

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

Name	Term
Mr A Forrest	6 years
Mr C Indermaur	5 years
Mr R Monti	6 years
Mr G Brayshaw	6 years
Mr D Singleton	6 years

7. Corporate Governance Statement (cont.)

7.3 Structure of the Board (cont.)

When a board vacancy exists, through whatever cause, or where it is considered that the board would benefit from the service of a new director with particular skills, the Remuneration, Nomination and Diversity Committee will recommend to the board a candidate or panel of candidates with the appropriate expertise.

The board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders. Due to the resignation of Mr A Forrest and Mr R Monti and the appointment to the board of Mr B Scruggs there will be a further review of the members of the committee meetings.

7.4 Remuneration, Nomination and Diversity Committee

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

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

For full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration report, which is contained within section 7.6 of the Directors' report.

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

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

The members of the Remuneration, Nomination and Diversity Committee during the period and up to the date of this report were:

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

For details on the number of meetings of the Remuneration, Nomination and Diversity Committee held during the year and the attendees at those meetings refer to section 3 of the Directors' report.

Diversity

The Group understands the value inherent in a diverse workforce and promotes a high performance culture that draws on the diverse and relevant experience, skills and expertise of its board members and employees. The board is committed to having an appropriate blend of diversity throughout the Group that will provide the benefits of a broader pool of high quality employees, improving employee retention, accessing different perspectives and unique personal attributes.

The board has established a policy regarding gender, age, ethnic and cultural diversity and details of the policy are available on the Company's web site.

The key elements of the diversity policy are as follows:

- Increased gender diversity on the board and senior executive positions and throughout the Group;
- Developing culture and remuneration strategies to assist with improving diversity; and
- Annual assessment of board gender diversity objectives and performance against objectives by the board and remuneration, nomination and diversity committee.

Gender representation

	2013		2012	
Representation	**Female**	**Male**	**Female**	**Male**
Board	0%	100%	0%	100%
Key management personnel	0%	100%	0%	100%
Group	17%	83%	15%	85%

Key management personnel exclude directors which are reported as part of Board representation.

The board has determined that no specific measurable objectives will be established due to the size of the Company being less than 10 employees. The board does not consider it practical or meaningful to formerly establish specific targets at this time. The Company will however, continually look for opportunities to increase gender diversity at a board and key management personnel level in future years as the project moves to a steady state operational environment.

7.5 Audit and Risk Management Committee

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

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The board has established an Audit and Risk Management Committee comprising of three non-executive directors.

The members of the Audit and Risk Management Committee during the period and up to the date of this report were:

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

For qualifications of the Audit and Risk Management Committee members and details on the number of meetings of the committee held during the year and the attendees of those meetings, refer to section 3 of the Directors' report.

The Company policy is to appoint external auditors who clearly demonstrate independence. The performance of the external auditor is reviewed annually by the committee. The auditors have a policy of rotating the partner at least every five years.

The board recognises that the identification and management of risk, including calculated risk taking, is an essential part of creating long-term shareholder value. Management reports directly to the board on the Company's key risks and is responsible through the CEO for designing, maintaining, implementing and reporting on the adequacy of the risk management and internal controls systems.

7. Corporate Governance Statement (cont.)

7.5 Audit and Risk Management Committee (cont.)

The Audit and Risk Management Committee monitors the performance of the risk management and internal control systems and reports to the board on the extent to which it believes the risks are being managed and the adequacy and comprehensiveness of risk reporting from management.

The board must satisfy itself, on a regular basis, that risk management and internal control systems for the Company have been fully developed and implemented.

In conjunction with its external advisors, the Company has identified specific risk management areas being strategic, operational and compliance. During the 2013 financial year, the board continued to review the strategic and operational risks on a regular basis.

A detailed risk identification matrix has been prepared and regularly updated by management. High and very high risk issues are reported to the board. An internal officer is responsible for ensuring the Company complies with its regulatory obligations. The executive committee also meets regularly to deal with specific areas of risk.

The CEO and CFO also provide written assurance to the board on an annual basis that to the best of their knowledge and belief, the declaration provided by them in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

The assurances from the CEO and CFO can only be reasonable rather than absolute due to factors such as the need for judgement and possible weaknesses in control procedures.

Any material changes in the Company's circumstances are released to the ASX and included on the Company's website.

7.6 Remuneration Report - Audited

7.6.1 Principles of compensation - audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company and Group and other executives. Key management personnel comprise the directors and executives for the Company and Group.

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

- Competitiveness and reasonableness through benchmarking remuneration to industry specific data;
- Shareholder acceptability of remuneration for executives;
- Performance linkage / alignment of executive compensation to Company objectives;
- Transparency of remuneration awarded to executives; and
- Capital Management - the use of share-based remuneration schemes to preserve cash.

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

Fixed compensation

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

Compensation levels are reviewed annually by the Remuneration, Nomination and Diversity Committee through a process that considers both individual and overall performance of the Company. In addition, external consultants can be engaged to provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the marketplace. A senior executive's compensation is also reviewed on promotion. No consultants have been used in the current year.

Performance linked compensation

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

Incentive bonus

The incentive bonus provides compensation to employees when key performance measures are achieved in line with business objectives. These measures may include financial and non-financial measures such as share price, project delivery and financing related targets and are chosen to align the individual's compensation to the short-term objectives of the Company. The non-financial objectives will vary with an employee's role and responsibility and will include measures specific to that role as well as satisfying and following Company objectives. The broad terms around the quantum of any incentive bonus, under current company practice, is related to a percentage of the FC amount. The Company has set a bonus range of between one month and a maximum of 100% of an individual's FC amount ("the applicable bonus range"), dependent on the individual's role. The bonus scheme is designed to reward and recognise performance and to pay an amount of between 0% - 50% of the applicable bonus range in recognition of actual performance levels noting that 100% would only be made in recognition of extraordinary achievement.

At the end of the financial year, the Remuneration, Nomination and Diversity Committee reviews and assesses the actual performance of the Company and management's achievement of its targets and objectives and recommends to the board the individual bonuses for key management personnel, having taken into consideration the individual's performance and contribution to the delivery of those objectives. The performance evaluation in respect of the year ended 30 June 2013 has taken place in accordance with this process.

The Remuneration, Nomination and Diversity Committee also recommend a maximum allocation of funds for bonuses to other employees. These funds are then allocated on a strictly individual basis related to personal performance. The board retains the discretion to vary the final cash incentive if performance is considered to be deserving of either a greater or lesser amount.

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

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

7. Corporate Governance Statement (cont.)

7.6 Remuneration Report - audited (cont.)

7.6.1 Principles of compensation - audited (cont.)

Incentive bonus (cont.)

Under the terms of the EBS, the board has the right to determine whether to operate the scheme as a cash based scheme or alternatively a share-based scheme in order to retain the cash reserves of the Company. Where the scheme is run as a cash based scheme, the employees are provided with the option to elect to receive their bonus in cash or "Participating Shares". Employees who receive their bonus in shares will qualify for additional "Special Bonus Shares" in the ratio of 1 additional share for every 2 participating shares.

Participation in EBS is by invite only and is not a contractual right but will include greater than 75% of all employees. The bonus shares will be subject to a 3 year continuous service condition from the date of issue. The value of the bonus shares relating to the proportion vested in the financial year is included as a share-based payment in column B in the directors' and executive officers' remuneration table in section 7.6.2 of the Directors' report. The value of the participating shares is disclosed as a hybrid share-based payment in column C in the directors' and executive officers' remuneration table in section 7.6.2 of the Directors' report. The number of shares will be calculated based upon the pre-tax cash bonus divided by the 5 day VWAP (Volume Weighted Average Price) of the Company's shares prior to the decision to award the bonus being made by the board.

In addition, the board can decide to grant options to a limited number of senior executives at its discretion under the ESOP (made in accordance with thresholds set in plans approved by shareholders at the 2010 AGM) for no consideration. The ESOP provides for key management personnel to receive up to 100% of compensation as an option package as a competitive incentive and retention mechanism. The ability to exercise the options is conditional on a number of conditions that include continuous service based and share price growth hurdles to be met and must be exercised between 3 and 6 years of issue.

Consequences of performance on shareholder wealth

In considering the Company's performance and benefits for shareholder wealth, the Remuneration, Nomination and Diversity Committee have regard to the following indices in respect of the current financial year.

In thousands of AUD	2013	2012	2011	2010	2009
Net profit (loss) for the period	(13,382)	(3,224)	546	(4,050)	7,441
Dividends paid	-	-	-	-	-
Change in share price	$0.03	$(0.07)	$(0.02)	$(0.06)	$(1.11)
% Change in share price	30.0%	(41.2)%	(10.5)%	(24.0)%	(81.6)%

The consolidated entity's performance is impacted not only by market factors, but also by employee performance. However, as the projects of the consolidated entity are currently in exploration, feasibility or development phases, the annual profit performance is not the only measure of the Company's performance and hence remuneration levels for individual key management personnel are not directly linked to the annual profit result.

Service contracts

It is the Company's policy that service contracts for key management personnel, excluding the chief executive officer, are unlimited in term but capable of termination with between one and three months' notice, depending on the specific contract terms. The Company retains the right to terminate the contract immediately, by making payment equal to between one and three months' pay in lieu of notice. The key management personnel are also entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave together with any superannuation benefits.

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

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

The initial employment agreement which was for a period of 5 years, has been extended without limitation to the term under the terms of the agreement . The agreement is capable of being terminated on three months' notice by the CEO and six months notice by the Company. The Company retains the right to terminate the agreement immediately, by making payment equal to six months' pay in lieu of notice. The CEO has no entitlement to termination payment in the event of removal for misconduct.

Non-executive directors

Total compensation for all non-executive directors, last voted upon by shareholders at the 2 July 2007 General Meeting, is not to exceed $350,000 per annum and is set based on market forces and with reference to fees paid to other non-executive directors of comparable companies. Non-executive directors' fees reported for the year to 30 June 2013 are $274,346 (2012: $261,033). Non-executive director fees do not include options and rights that may be issued from time to time, subject to shareholder approval.

Non-executive directors received a base director fee of $50,317 (except for the chairman who received a base fee of $47,921) to cover the main board activities. Non-executive director members who sit on more than one committee received an additional payment of $6,290 for each additional committee of which they are a member. Non-executive director members who chair a committee received a further additional payment of $6,290 for each committee chaired.

Under the Director Share Plan ("DSP") approved by shareholders at the AGM on 21 November 2012, non-executive directors have elected to receive director fees as shares in lieu of cash in order to retain the cash reserves of the Company. The value of the shares awarded to non-executive directors has been disclosed as a hybrid share-based payment in column C in the directors' and executive officers' remuneration table in section 7.6.2 of the Directors' report.

7. Corporate Governance Statement (cont.)

7.6 Remuneration Report - audited (cont.)

7.6.2 Directors' and executive officers' remuneration (Company and Consolidated) - audited

		SHORT-TERM	POST EMPLOYMENT	SHARE-BASED PAYMENTS						
In AUD		Salary and fees $	Super-annuation benefits $	Options and rights $ (A)	Shares $ (B)	Hybrids $ (C)	Other $ (D)	Total $	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
Directors										
Non-executive directors										
Mr A Forrest (Chairman)	2013	-	-	-	-	47,921	-	47,921	-	-
	2012	-	-	-	-	45,595	-	45,595	-	-
Mr C Indermaur	2013	-	-	21,400	-	81,765	-	103,165	-	20.7%
	2012	-	-	21,459	-	77,797	-	99,256	-	21.6%
Mr R Monti	2013	-	-	5,350	-	69,185	-	74,535	-	7.2%
	2012	-	-	5,365	-	65,828	-	71,193	-	7.5%
Mr G Brayshaw	2013	-	-	5,350	-	75,475	-	80,825	-	6.6%
	2012	-	-	5,365	-	71,813	-	77,178	-	7.0%
Executive directors										
Mr D Singleton, MD & CEO	2013	525,539	25,000	64,200	132,250	15,600	-	762,589	19.4%	8.4%
	2012	472,872	25,000	93,205	94,905	39,107	26,198	751,287	17.8%	12.4%
Executives										
Mr R Dennis, COO	2013	431,899	38,998	13,404	110,078	5,755	-	600,134	19.3%	2.2%
	2012	481,293	43,317	13,441	79,757	14,426	12,475	644,709	14.6%	2.1%
Mr N Hutchison, GM Geology	2013	283,697	25,580	18,766	79,850	4,853	-	412,747	20.5%	4.5%
	2012	262,877	23,659	18,818	58,476	12,167	-	375,997	18.8%	5.0%
Mr M Rodriguez, Group Technology Manager	2013	368,899	26,063	26,809	110,624	10,816	-	543,210	22.4%	4.9%
	2012	324,027	29,162	26,882	84,758	27,114	12,475	504,418	22.2%	5.3%
Mr G Jones, Financial Controller	2013	219,336	19,750	13,404	66,898	2,773	-	322,161	21.6%	4.2%
	2012	207,408	18,667	13,441	47,809	6,952	6,238	300,515	18.2%	4.5%
Total compensation: key management personnel (consolidated)	2013	1,829,370	135,391	168,683	499,700	314,143	-	2,947,287		
	2012	1,748,477	139,805	197,976	365,705	360,799	57,386	2,870,148		
Total compensation: key management personnel (company)	2013	1,829,370	135,391	168,683	499,700	314,143	-	2,947,287		
	2012	1,748,477	139,805	197,976	365,705	360,799	57,386	2,870,148		

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

(A) The fair value of the options is calculated at the date of grant using a binomial option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised as remuneration in this reporting period for services performed. In valuing the options, market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options issued to key management personnel on grant date:

Grant Date	Option life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
21 September 2010	6 years	$0.1610	$0.22	$0.215	90.0%	4.97%	0%
23 November 2010	6 years	$0.1250	$0.22	$0.175	90.0%	5.27%	0%

(B) The shares granted to executive directors and executives are the bonus shares issued in relation to EBS for the performance bonus earned in prior reporting periods and have a 3 year continuous service and vesting period from the grant date. The value disclosed is the portion of the fair value of the shares recognised as remuneration in this reporting period for services performed. Refer to EBS in section 7.6.1 of the Directors' report.

(C) The hybrid share-based payment represents the participating shares for the short-term incentive bonus issued to executive directors and executives in relation to EBS for the performance bonus earned in prior reporting periods and shares issued to non-executive directors in relation to the DSP, that allows the individual to choose whether to receive director fees as cash or shares for the current period. Refer to the EBS plan and the DSP in section 7.6.1 of the Directors' report.

(D) The other share-based payment represents personal loans made to executive directors and executives in 2012 by Forrest Family Investments Pty Ltd ("FFI"), a company controlled by the Company's former non-executive chairman and major shareholder Mr Andrew Forrest. The loans were provided to financially assist in the purchase of shares in the Company to which existing shareholders were entitled under the terms of a Rights Issue undertaken in May 2012. No personal loans have been made in 2013.

Details of performance related remuneration

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed in section 7.6.1 of the Directors' report.

7.6.3 Equity instruments

All options refer to options over ordinary shares of Poseidon Nickel Limited, which are exercisable on a one-for-one basis under the ESOP plan.

Options and rights over equity instruments granted as compensation - audited

Options

No options were granted to directors or executives during the reporting period and no options have been granted to directors or executives since the end of the financial year.

Shares

No shares were granted to directors or executives during the reporting period and no shares have been granted to directors or executives since the end of the financial year.

7. Corporate Governance Statement (cont.)

7.6 Remuneration Report - audited (cont.)

7.6.3 Equity instruments (cont.)

Options and rights over equity instruments granted as compensation - audited (cont.)

Hybrids

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

Directors	Number of hybrids granted during 2013	Grant or quarter end date	Fair value per hybrid at grant date ($)	Purchase price per hybrid at issue date ($)	Total hybrid value ($)
Mr A Forrest	137,073	30 September 2012	$0.09	$0.09	11,980
	86,250	31 December 2012	$0.14	$0.14	11,980
	52,380	31 March 2013	$0.23	$0.23	11,980
	65,640	30 June 2013	$0.18	$0.18	11,981
	341,343				47,921
Mr C Indermaur	233,880	30 September 2012	$0.09	$0.09	20,441
	147,164	31 December 2012	$0.14	$0.14	20,441
	89,374	31 March 2013	$0.23	$0.23	20,441
	111,998	30 June 2013	$0.18	$0.18	20,442
	582,416				81,765
Mr R Monti	197,899	30 September 2012	$0.09	$0.09	17,296
	124,524	31 December 2012	$0.14	$0.14	17,296
	75,624	31 March 2013	$0.23	$0.23	17,296
	94,768	30 June 2013	$0.18	$0.18	17,297
	492,815				69,185
Mr G Brayshaw	215,890	30 September 2012	$0.09	$0.09	18,869
	135,844	31 December 2012	$0.14	$0.14	18,869
	82,499	31 March 2013	$0.23	$0.23	18,869
	103,383	30 June 2013	$0.18	$0.18	18.868
	537,616				75,476
	1,954,190				274,346

The number and value of hybrids issued to non-executive directors in the year is the equivalent to the director fee cash value that has been elected to be received as shares in each quarter. Refer to the DSP in section 7.6.1 of the Directors' report.

No hybrids were granted to executives during the reporting period and no hybrids have been issued to directors or executives since the end of the financial year.

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

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

Exercise of options granted as compensation - audited

During the reporting period there were no shares issued on the exercise of options previously granted as compensation.

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

Options

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

	OPTIONS GRANTED				
Directors	**Number**	**Grant date**	**Financial years in which grant vests**	**% Lapsed in Year**	**Total expensed in period ($)**
Mr A Forrest	115,000,000	2 July 2007	2008	100%	-
Mr R Monti	2,500,000	2 July 2007	2008	100%	-
Mr D Singleton	2,000,000	27 November 2008	2013	100%	-
Mr C Indermaur	1,000,000	23 November 2010	2017	-	21,400
Mr R Monti	250,000	23 November 2010	2017	-	5,350
Mr G Brayshaw	250,000	23 November 2010	2017	-	5,350
Mr D Singleton	3,000,000	23 November 2010	2017	-	64,200
Executives					
Mr R Dennis	277,000	29 November 2007	2013	100%	-
Mr N Hutchison	142,000	30 November 2007	2013	100%	-
Mr G Jones	114,000	14 April 2008	2013	100%	-
Mr R Dennis	500,000	21 September 2010	2017	-	13,404
Mr N Hutchison	700,000	21 September 2010	2017	-	18,766
Mr M Rodriguez	1,000,000	21 September 2010	2017	-	26,809
Mr G Jones	500,000	21 September 2010	2017	-	13,404
	127,233,000				168,683

The value of options expensed in the period is the portion of the fair value of the option recognised in the reporting period and the amount allocated to remuneration.

No options vested or were forfeited during the reporting period. The options issued to Mr A Forrest and Mr R Monti in July 2007 lapsed during the period as the exercise price of $0.40 was higher than the shares price at the date of expiry. The options issued to Mr D Singleton in November 2008, Mr R Dennis and Mr N Hutchison in November 2007 and Mr G Jones in April 2008 lapsed during the reporting period as the share price performance hurdles had not been met. The total value of all lapsed options of $232,375,344 has been expensed in full over the vesting period.

7. Corporate Governance Statement (cont.)

7.6 Remuneration Report - audited (cont.)

7.6.3 Equity instruments (cont.)

Analysis of options and rights over equity instruments granted as compensation - audited (cont.)

Shares

Details of the vesting profile of shares granted to each director and executive of the Company are detailed below.

	SHARES GRANTED			
Directors	**Number**	**Grant date**	**Financial years in which grant vests**	**Total expensed in period ($)**
Mr D Singleton	225,000	24 November 2009	2013	7,800
	1,965,000	22 November 2011	2015	124,450
Executives				
Mr R Dennis	83,000	24 November 2009	2013	2,877
	1,461,830	27 October 2011	2015	107,201
Mr N Hutchison	70,000	24 November 2009	2013	2,427
	1,055,766	27 October 2011	2015	77,423
Mr M Rodriguez	156,000	24 November 2009	2013	5,408
	1,434,759	27 October 2011	2015	105,216
Mr G Jones	40,000	24 November 2009	2013	1,387
	893,341	27 October 2011	2015	65,511
	7,384,696			499,700

The value of shares expensed in the period is the portion of the fair value of the shares recognised in the reporting period and the amount allocated to remuneration. No shares have been granted to directors or executives since the end of the financial year.

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

Hybrids

Details of the vesting profile of hybrids granted to each director and executive of the Company are detailed below.

	HYBRIDS GRANTED				
Directors	**Number**	**Grant or quarter end date**	**% vested in year**	**Financial years in which grant vests**	**Total expensed in period ($)**
Mr A Forrest	137,073	30 September 2012	100%	2013	11,980
	86,250	31 December 2012	100%	2013	11,980
	52,380	31 March 2013	100%	2013	11,980
	65,640	30 June 2013	100%	2013	11,981
	341,343				47,921
Mr C Indermaur	233,880	30 September 2012	100%	2013	20,441
	147,164	31 December 2012	100%	2013	20,441
	89,374	31 March 2013	100%	2013	20,441
	111,998	30 June 2013	100%	2013	20,442
	582,416				81,765
Mr R Monti	197,899	30 September 2012	100%	2013	17,296
	124,524	31 December 2012	100%	2013	17,296
	75,624	31 March 2013	100%	2013	17,296
	94,768	30 June 2013	100%	2013	17,297
	492,815				69,185
Mr G Brayshaw	215,890	30 September 2012	100%	2013	18,869
	135,844	31 December 2012	100%	2013	18,869
	82,499	31 March 2013	100%	2013	18,869
	103,383	30 June 2013	100%	2013	18.868
	537,616				75,475
Mr D Singleton	450,000	24 November 2009	100%	2013	15,600
Executives					
Mr R Dennis	166,000	24 November 2009	100%	2013	5,755
Mr N Hutchison	140,000	24 November 2009	100%	2013	4,853
Mr M Rodriguez	312,000	24 November 2009	100%	2013	10,816
Mr G Jones	80,000	24 November 2009	100%	2013	2,773
	3,102,190				314,143

The value of hybrids expensed in the period is the portion of the fair value of the hybrids recognised in the reporting period and the amount allocated to remuneration.

No hybrids were granted to directors or executives since the end of the financial year.

7. Corporate Governance Statement (cont.)

7.7 Best Practice Recommendation

Outlined below are the eight Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council as they applied for the Financial Year ended 30 June 2013.

Corporate Governance Policy	Action taken and reasons if not adopted
Lay solid foundation for management and oversight	Adopted
Principle 1: Recognise and publish the respective roles and responsibilities of the board and management	
1.1 Formalise and disclose the functions reserved to the Board and those delegated to management	The Company's Corporate Governance Policies include a Board Charter which discloses the specific responsibilities of the board.
1.2 Disclose the process for evaluation the performance of senior executives	The board, through the CEO, monitors performance of senior management including measuring actual performance against planned performance.
1.3 Provide the information indicated in 'Guide to reporting on Principle 1'	The Company had no departures from Principle 1.
Structure the board to add value	Adopted
Principle 2: Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties	
2.1 A majority of the board should be independent	The majority of the board are independent directors.
2.2 The chairperson should be an independent director	The chairman is an independent director.
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual	The roles of the Chair and the CEO are not exercised by the same individual.
2.4 The board should establish a nomination committee	The board has established a Remuneration, Nomination and Diversity Committee. The members of the committee comprise three independent directors. The CEO is not a member of the committee but attends the meeting by invitation.
2.5 Disclose the process for evaluating the performance of the board, its committees and the individual directors	The board has adopted a policy to assist in evaluating board performance and a review of the board's and individual directors' performance is undertaken each year.
2.6 Provide the information indicated in 'Guide to Reporting on Principle 2'	The Company had one departure from Principle 2 - refer 2.2.

Corporate Governance Policy	Action taken and reasons if not adopted
Actively promote ethical and responsible decision-making	Adopted
Principle 3: Promote ethical and responsible decision-making	
3.1 Establish a code of conduct and disclose the code or summary of the code as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.1.2 the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders 3.1.3 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices	The Company's Corporate Governance Policies include a Directors' and Executive Officers' Code of Conduct Policy which provides a framework for decisions and actions in relation to ethical conduct in employment.
3.2 Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	The Company's Corporate Governance Policies includes Diversity and outlines the Company's commitment to diversity and the active steps the Company takes in implementing the policy, commensurate with a company of its size and the industry within which it operates.
3.3 Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No measurable objectives have been set at this time due to the size of the Company being less than 10 employees (see section 7.4).
3.4 Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The portion of women employees has been disclosed in section 7.6 of the Directors Report.
3.5 Provide the information indicated in 'Guide to Reporting on Principle 3'	The Company had one departure from Principle 3 - refer 3.3.
Principle 4: Establish a structure to independently verify and safeguard the integrity in financial reporting	
4.1 The board should establish an Audit Committee	An Audit and Risk Management Committee has been established by the Company.
4.2 Structure the Audit Committee so that it consists of: - Only non-executive directors - A majority of independent directors - An independent chairperson who is not the chairperson of the Board - At least three members	The Audit and Risk Management Committee consists of three independent non-executive directors and is chaired by Mr G Brayshaw who is not the chair of the board.
4.3 The Audit Committee should have a formal operating charter	The Audit and Risk Management Committee has a formal Charter.
4.4 Provide the information indicated in the 'Guide to reporting on Principle 4'	The Company had no departures from Principle 4.

7. Corporate Governance Statement (cont.)

7.7 Best Practice Recommendation (cont.)

Corporate Governance Policy	Action taken and reasons if not adopted
Promote timely and balanced disclosure	Adopted
Principle 5: Make timely and balanced disclosure of all material matters concerning the Company	
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	The Company has a Continuous Disclosure Policy which is designed to ensure compliance with the ASX Listing Rules requirements on disclosure and to ensure accountability at a board level for compliance and factual presentation of the Company's financial position.
5.2 Provide the information indicated in the 'Guide to reporting on Principle 5'	The Company had no departures from Principle 5.
Respect the rights of shareholders	Adopted
Principle 6: Respect the rights of shareholders and facilitate the effectiveness of those rights	
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings and disclose the policy or a summary of the policy	The Company's Corporate Governance Policies include a Shareholder Communications Policy which aims to ensure that the shareholders are informed of all material developments affecting the Company's state of affairs.
Recognise and manage risk	Adopted
6.2 Provide the information indicated in the 'Guide to reporting on Principle 6'	The Company had no departures from Principle 6.
Principle 7: Establish a sound system of risk oversight and management and internal control	
7.1 The Board or appropriate Board committee should establish policies on risk oversight and management	The Company's Corporate Governance Policies include a Risk Management Policy which aims to ensure that all material business risks are identified and mitigated. The board identifies the Company's 'risk profile' and is responsible for overseeing and approving risk management strategies and policies, internal compliance and internal controls.
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	The board requires that the CEO designs and implements continuous risk management and internal control systems and provides reports at relevant times.

Corporate Governance Policy	Action taken and reasons if not adopted
7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks	The board seeks, at the appropriate times, these relevant assurances from the individuals appointed to perform the role of Chief Executive Officer and Chief Financial Officer.
7.4 Provide the information indicated in the 'Guide to reporting on Principle 7'	The Company had no departures from Principle 7.
Remunerate fairly and responsibly	Adopted
Principle 8: Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is definition	
8.1 The Board should establish a Remuneration Committee	A Remuneration, Nomination and Diversity Committee has been established by the Company.
8.2 The remuneration committee should be structured so that it: - Consists of a majority of independent directors - Is chaired by an independent director - Has at least 3 members	The Remuneration, Nomination and Diversity Committee comprises 3 independent directors, including the Chairman of the Committee.
8.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives	The board distinguishes the structure of non-executive director's remuneration from that of executive directors and senior executives. The Company's Constitution provides that the remuneration of non-executive directors will be not more than the aggregate fixed sum approved by a general meeting of shareholders. The board is responsible for determining the remuneration of any director or senior executive without the participation of the affected director.
8.4 Provide the information indicated in the 'Guide to reporting on Principle 8'	The Company had no departures from Principle 8.

Further information on the Corporate Governance Policies that have been adopted by Poseidon can be referenced at the Company's website: **www.poseidon-nickel.com.au**

8. Dividends

The Directors recommend that no dividend be declared or paid.

9. Events Subsequent to Reporting Date

Since the end of the financial year the Company and Forrest Family Investments Pty Ltd, an entity controlled by the Company's former Chairman Mr Andrew Forrest, have agreed to extend the maturity date of the $8,000,000 Bridge Loan to 1 October 2014. The lender has also exercised their right to demand that the Bridge Loan is repaid through the proceeds of an equity raising as soon as reasonably practicable but no later than the maturity date. Refer to Note 3 of the notes to the consolidated financial statements for further information.

On 27 September 2013, Mr Andrew Forrest resigned as Chairman of the Company due to his overwhelming philanthropic duties. During his time as Chairman, the Company has taken the project from a concept to an exciting project ready for construction. Mr Forrest will continue to be a major shareholder and continue to support the Company. Mr H E "Bud" Scruggs has been elected as the new Chairman having served as Mr Forrest's alternate on the board since September 2012 and was previously the CEO of The Metal Group, then the private holding company of the business interests of Andrew and Nicola Forrest and COO of the Australian Children's Trust which was the principal philanthropic entity of the Forrest family. In addition, Mr Richard Monti resigned as a director on 28 September 2013.

10. Directors' Interests

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

	POSEIDON NICKEL LIMITED	
	Ordinary shares	Options over ordinary shares
Mr C Indermaur	2,600,727	1,000,000
Mr G Brayshaw	2,736,332	250,000
Mr D Singleton	6,740,000	3,000,000
	12,077,059	4,250,000

11. Share Options

Options granted to directors and officers of the Company

During or since the end of the financial year, no options have been granted to directors or officers of the Company.

Unissued shares under options

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

Expiry date	Exercise price	Number of shares
31 August 2016	0.22	2,975,000
23 November 2016	0.22	4,500,000
		7,475,000

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.

12. Indemnification and Insurance of Officers and Auditors

Insurance premiums

The Company has agreed to indemnify the following current directors of the Company, Mr H E Scruggs, Mr C Indermaur, Mr G Brayshaw, Mr D Singleton against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid a premium to insure the directors and officers of the Company and its controlled entities. Details of the premium are subject to a confidentiality clause under the contract of insurance. The insurance premiums relate to:

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

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

13. Non-Audit Services

During the year KPMG, the Company's auditor, has performed other services in addition to their statutory duties.

The board considered the non-audit services provided during the previous year by the auditor and in accordance with the advice provided by the audit committee, is satisfied that the provision of the non-audit services during the year by the auditor is compatible with and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reason:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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

		CONSOLIDATED
In AUD	2013	2012
Audit services		
Auditors of the Group - KPMG		
Audit and review of financial reports	66,349	65,954
	66,349	65,954
Services other than statutory audit		
Non-statutory review of financial reports	82,475	58,744
Accounting assistance and advice	-	10,000
	82,475	68,744
	148,824	134,698

14. Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 114 and forms part of the directors' report for financial year ended 30 June 2013.

15. Rounding Off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

Mr G Brayshaw
Director

Perth
30th September 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

In thousands of AUD	Note	2013	2012
Assets			
Cash and cash equivalents	16a	2,590	20,582
Trade and other receivables	15	2,772	640
Total current assets		5,362	21,222
Property, plant and equipment	10	2,959	2,532
Exploration and evaluation expenditure	11	71,931	59,550
Other investments	12	44	693
Other	13	3,500	3,500
Total non-current assets		78,434	66,275
Total assets		83,796	87,497
Liabilities			
Trade and other payables	24	2,317	1,070
Loans and borrowings	19	31,143	17,285
Convertible note derivative	20	6,142	4,507
Employee benefits	21	144	101
Provisions	23	3,500	3,500
Total current liabilities		43,246	26,463
Loans and borrowings	19	-	7,880
Total non-current liabilities		-	7,880
Total liabilities		43,246	34,343
Net assets		40,550	53,154
Equity			
Share capital	17	100,896	100,033
Reserves		472	235,031
Accumulated losses		(60,818)	(281,910)
Total equity attributable to equity holders of the Company		40,550	53,154
Total equity		40,550	53,154

The notes on pages 68 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

In thousands of AUD	Note	2013	2012
Other income		504	379
Depreciation expense		(18)	(18)
Personnel expenses	7	(1,235)	(1,194)
Exploration costs expensed		(1,334)	(2,354)
Consultancy and advisor fees		(2,043)	(950)
Share-based payment expense	22	(1,044)	(1,044)
Other expenses		(1,295)	(1,250)
Results from operating activities		(6,465)	(6,431)
Finance income		1,799	7,450
Finance costs		(8,716)	(4,355)
Net finance income / (costs)	8	(6,917)	3,095
Loss before income tax		(13,382)	(3,336)
Income tax benefit	9	-	112
Loss for the period		(13,382)	(3,224)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Net change in fair value of available-for-sale financial assets		(262)	262
Other comprehensive income for the period, net of income tax		(262)	262
Total comprehensive loss for the period		(13,644)	(2,962)
Earnings per share			
Basic loss per share (cents/share)	18	(3.28)	(1.32)
Diluted loss per share (cents/share)	18	(3.28)	(1.32)

The notes on pages 68 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

For the year ended 30 June 2012

In thousands of AUD	Share capital	Share-based payment reserve	Fair value reserve	Option premium reserve	Accumulated losses	Total equity
Balance at 1 July 2011	79,726	234,734	-	510	(278,749)	36,221
Loss	-	-	-	-	(3,224)	(3,224)
Other comprehensive income						
Net change in fair value of available-for-sale assets transferred to profit or loss, net of tax	-	-	262	-	-	262
Total other comprehensive income	-	-	262	-	-	262
Total comprehensive income for the period	-	-	262	-	(3,224)	(2,962)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Issue of share capital (net of costs)	20,307	(691)	-	-	-	19,616
Issue of options (net of costs)	-	216	-	-	63	279
Total contributions by and distributions to owners	20,307	(475)	-	-	63	19,895
Total transactions with owners	20,307	(475)	-	-	63	19,895
Balance at 30 June 2012	100,033	234,259	262	510	(281,910)	53,154

For the year ended 30 June 2013

In thousands of AUD	Share capital	Share-based payment reserve	Fair value reserve	Option premium reserve	Accumulated losses	Total equity
Balance at 1 July 2012	100,033	234,259	262	510	(281,910)	53,154
Loss	-	-	-	-	(13,382)	(13,382)
Other comprehensive income						
Net change in fair value of available-for-sale assets, net of tax	-	-	(262)	-	-	(262)
Total other comprehensive income	-	-	(262)	-	-	(262)
Total comprehensive income for the period	-	-	(262)	-	(13,382)	(13,644)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Issue of share capital (net of costs)	863	-	-	-	-	863
Issue of options (net of costs)	-	177	-	-		177
Transfer to accumulated losses upon lapse of options	-	(233,964)	-	(510)	234,474	-
Total contributions by and distributions to owners	863	(233,787)	-	(510)	234,474	1,040
Total transactions with owners	863	(233,787)	-	(510)	234,474	1,040
Balance at 30 June 2013	100,896	472	-	-	(60,818)	40,550

The condensed notes on pages 68 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

In thousands of AUD	Note	2013	2012
Cash flows from operating activities			
Sundry receipts		225	437
Payments to suppliers and employees		(5,564)	(5,799)
Cash used in operations		(5,339)	(5,362)
Interest received		454	454
Net cash used in operating activities	16b	(4,885)	(4,908)
Cash flows from investing activities			
Proceeds from sale of investments		1,581	-
Payments for property, plant and equipment		(801)	(509)
Payments for exploration and evaluation expenditure		(12,828)	(15,024)
Net cash used in investing activities		(12,048)	(15,533)
Cash flows from financing activities			
Proceeds from the issue of shares and options (net of costs)		-	18,842
Proceeds from borrowings		-	8,000
Payment of borrowing costs		(120)	-
Payment of finance lease liabilities		-	(129)
Interest paid		(939)	-
Net cash from (used in) financing activities		(1,059)	26,713
Net increase / (decrease) in cash and cash equivalents		(17,992)	6,272
Cash and cash equivalents at 1 July		20,582	14,162
Effect of exchange rate fluctuations on cash held		-	148
Cash and cash equivalents at 30 June	16a	2,590	20,582

The notes on pages 68 to 110 are an integral part of these consolidated financial statements.

1. Reporting entity

Poseidon Nickel Limited ("the Company") is a company domiciled in Australia. The address of the Company's registered office is Level 2, Spectrum, 100 Railway Road, Subiaco WA 6008. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled operations.

The Group is a for-profit entity and primarily is involved in exploration, mining and production of nickel and other minerals.

2. Basis of preparation

(a) Statement of compliance

The consolidated 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).

The consolidated financial statements were approved by the Board of Directors on 30 September 2013.

(b) Basis of measurement

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

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

The methods used to measure fair values are discussed further in note 5.

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

The preparation of 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. Set out below is information about:

- critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements; and
- assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Critical judgements

(i) Going concern

A key assumption underlying the preparation of the financial statements is that the entity will continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due and to continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. A significant amount of judgement has been required in assessing whether the entity is a going concern as set out in note 3.

Estimates and assumptions

(ii) Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer note 4(e)), require estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to ore reserves, the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 4(e), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement in accordance with accounting policy 4(g). The carrying amounts of exploration and evaluation assets are set out in note 11.

(iii) Site Restoration liability

Determining the cost of rehabilitation, decommissioning and restoration of the area disturbed during mining activities in accordance with the Group's accounting policy (refer note 4(i)), requires the use of significant estimates and assumptions, including: the appropriate rate at which to discount the liability, the timing of the cash flows and expected life of the relevant area of interest, the application of relevant environmental legislation and the future expected costs of rehabilitation, decommissioning and restoration.

Changes in the estimates and assumptions used to determine the cost of rehabilitation, decommissioning and restoration could have a material impact on the carrying value of the site restoration provision and related asset. The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at the time. The carrying amount of the provision for site restoration and related asset are set out in note 23.

(iv) Convertible note derivative

An option pricing model is used to calculate the fair value of the convertible note derivative that is dependent upon a number of estimates and assumptions. The types of estimates and assumptions used are set out in note 5(a). Changes to the estimates and assumptions used in the pricing model could have a material impact on fair value of the convertible note derivative.

(v) Share-based payments

A binomial option pricing model is used to calculate the fair value of employee share options that is dependent upon a number of estimates and assumptions. The types of estimates and assumptions used are set out in note 5(c).

(e) Changes in accounting policies

(i) Presentation of transactions recognised in other comprehensive income

From 1 July 2011 the Group has applied amendments to AASB 101, *Presentation of Financial Statements* outlined in AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*. The change in accounting policy only relates to disclosures and had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and allow the Group to disclose transactions recognised in other comprehensive income.

3. Financial Position

The consolidated financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the year ended 30 June 2013 the Company incurred a loss of $13,382,000 (2012: loss $3,224,000) and had a net working capital deficit of $37,884,000 (2012: deficit $5,241,000). The working capital deficit includes the following items: the convertible note liability of $22,734,000 and the convertible note derivative liability of $6,142,000 that can only be settled in shares if called by the note holders prior to its redemption date of 28 March 2017, a provision for environmental rehabilitation of $3,500,000 that is cash backed (non-current asset) and an unsecured $8,000,000 Bridge Loan provided by Forrest Family Investments Pty Ltd ("FFI"), an entity controlled by the Company's former Chairman as at 30 June 2013, Mr Andrew Forrest. The maturity date of the loan had been extended initially from 1 July 2013 to 1 October 2013 and subsequent to year end for a further 12 months to 1 October 2014 or earlier if the Company completes a final capital raising. The lender has also exercised their right to demand that the Bridge Loan is repaid through the proceeds of an equity raising as soon as reasonably practicable but no later than the maturity date. The Directors believe that for these collective liabilities there will be no requirement to repay the obligation from current available cash because of the terms of the above arrangements and the financing plans discussed below.

The Company had a net cash outflow used in investing activities of $12,048,000 (2012: outflow $15,533,000), reflecting the ongoing exploration and mine refurbishment activity and the completion of a Definitive Feasibility Study ("DFS") for the Windarra Nickel Project ("WNP"). These investing activities were financed by available cash balances including the unsecured $8,000,000 Bridge Loan provided by FFI in 2012. An interest rate of 13% per annum applies to this loan with interest now payable each quarter until fully repaid. A 1.5% exit fee is payable on the Bridge Loan amount when the principal is repaid.

The Company will require further funding in order to fully fund the development of the WNP as planned. The Board of Directors is aware, having developed a DFS and prepared a cash flow budget, of the Company's project development and working capital requirements and has appointed Credit Suisse, a major international bank, to assist in the funding of the project through a debt and working capital facility. Poseidon is also being advised by Grant Samuel to assist in developing the various alternatives towards financing the project. Completion of the full financing for the project is subject to future recovery of current commodity market values. The Company is seeking to put in place an interim debt funding facility but may also seek to raise additional funds through capital raisings should the need arise, as it has done in the past. Should the Company be unable to raise sufficient funds, it will be necessary to delay the development of the project and significantly reduce exploration and administrative costs.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows for the next 12 months, which incorporate raising additional funds via issue of debt and/or equity instruments. Should the Company not be successful in achieving forecast cash flows, including the raising of additional funds, it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in this financial report.

4. Significant accounting policies

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

(a) Basis of consolidation

Subsidiaries

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

Jointly controlled operating assets

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

Transactions eliminated on consolidation

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

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

(c) Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

Financial assets at fair value through profit or loss

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

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

4. Significant accounting policies (cont.)

(c) Financial instruments (cont.)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus and directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the previous categories. The Group's investments in equity securities are classified as available-for-sale financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Convertible note liability and derivative

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

The liability component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The embedded derivative component is firstly recognised initially at fair value and the liability component is calculated as the difference between the financial instrument as a whole and the value of the derivative at inception. Any directly attributable transaction costs are allocated to the convertible note liability and convertible note derivative in proportion to their initial carrying amounts. The fair value of the derivative portion has been valued using a valuation technique including inputs that include reference to similar instruments and option pricing models. Subsequent to initial recognition, the liability component of the convertible note is measured at amortised cost using the effective interest method. The convertible note derivative is measured at fair value through profit or loss.

The convertible note liability and derivative are removed from the statement of financial position when the obligations specified in the contract are discharged, this can occur upon the option holder exercising their option or the option period lapses requiring the company to discharge the obligation. Both the convertible note liability and derivative are classified as current liabilities as the option holder has the right to convert at anytime.

Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

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

Share capital

Ordinary shares

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.

(d) Property, plant and equipment

Recognition and measurement

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic associated with the expenditure will flow to the Group and its cost can be measured reliably. The costs of on-going repairs and maintenance of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each 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 3 - 13 years
- motor vehicles 4 - 6 years

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

(e) Exploration and evaluation expenditure

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal right to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditure are those expenditures incurred by the Company in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. 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.

4. Significant accounting policies (cont.)

(e) Exploration and evaluation expenditure (cont.)

Expenditure incurred on activities that precede establishing the existence of a commercially recoverable mineral resource that will provide a future economic benefit to the Company, including all expenditures incurred prior to securing legal rights to explore an area, is expensed as incurred. Expenditure on exploration and evaluation activities relating to each area of interest is capitalised as incurred where a commercially recoverable JORC compliant resource has been identified.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Gathering exploration data through topographical, geochemical and geophysical studies; and
- Exploratory drilling, trenching and sampling.

General and administration costs are allocated to and included in the cost of exploration and evaluation assets only to the extent that this cost can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets. As the assets are not yet ready for use, they are not depreciated. Assets that are classified as intangible assets include:

- Drilling rights;
- Acquired rights to explore;
- Exploratory drilling costs; and
- Trenching and sampling costs.

Borrowing costs incurred in connection with the financing of exploration and evaluation activities are expensed as incurred.

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 be reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration license in the specific area of interest has expired during the reporting period or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is not budgeted nor planned; and
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than an area of interest. The Company performs impairment testing in accordance with accounting policy 4(g).

(f) Leased assets

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

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(g) 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.

Objective evidence that financial assets are impaired can include default by a debtor, indications a debtor or issuer will enter bankruptcy, economic conditions that correlate with default or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In assessing impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities 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

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

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

4. Significant accounting policies (cont.)

(g) Impairment (cont.)

Non-financial assets (cont.)

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

(h) Employee benefits

Termination benefits

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

Short-term benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The Group annual short-term incentive (STI) program provides share-based payment arrangements where the employees have the choice of settling the STI in cash or equity. The directors can also elect to take their annual remuneration in cash or equity. These represent compound financial instruments with potential debt and equity components. The fair value of the compound instrument is determined by reference to the Director Share Plan and approved annual director fees and is allocated fully to the debt component when the fair value of the cash and equity settlement alternatives are equal. 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 bonus if any, and director fees. 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.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Site restoration provision

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration is recognised in respect of the estimated cost of rehabilitation and restoration of the area previously disturbed during mining activities up to the reporting date, but not yet rehabilitated. Such activities include dismantling infrastructure, removal and treatment of waste material and land rehabilitation, including contouring, topsoiling and revegetation of the disturbed area.

The amount recognised as a liability represents the estimated future costs discounted to present value at a pre-tax rate that reflects current (estimated costs arising within twelve months from balance date) and non-current components based on expected timing of cash flows.

At each reporting date the site restoration 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.

(j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available-for-sale financial assets, changes in the fair value of financial liabilities at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(l) Income tax

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

4. Significant accounting policies (cont.)

(l) Income tax (cont.)

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets plus liabilities will be realised simultaneously.

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

(m) Goods and services tax

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

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

(n) Earnings per share

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

(o) Research and development expenditure

The Group undertakes expenditure on activities that are categorised as 'eligible expenditure' under the Research & Development Tax Concession which under certain criteria 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 deferred, the tax offset shall be deducted from the carrying amount.
- 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.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO 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.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for:

AASB 9 ***Financial Instruments***, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets.

AASB 10 ***Consolidated Financial Statements*** introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees (see note 4(a)).

Under **AASB 11** ***Joint Arrangements***, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity accounted.

The Group may need to reclassify any joint arrangements, which may lead to changes in current accounting for these interests (see note 4(a)).

AASB 12 ***Disclosure of Interest in Other Entities (2011)*** brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structure entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries and interests in joint arrangements in comparison with the existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

AASB 13 ***Fair Value Measurement (2011)*** provides a single source of guidance on how fair value is measured and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group is currently reviewing its methodologies in determining fair values (see note 5).

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

(r) Comparatives

Certain comparative disclosures have been reclassified to conform to the current year's presentation.

5. Determination of fair values

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

(a) Convertible note derivatives

The fair value of the convertible note derivative has been determined by firstly computing the fair value per convertible option feature multiplied by the number of outstanding options. The fair value per option is computed using a binomial option pricing model that takes account of the exercise price, the term of the option, the company's share price at the end of the reporting period, the expected volatility of the underlying share price and the risk-free interest rate (based on government bonds). The expected volatility is based upon historic volatility (based on the remaining life of the options) adjusted for abnormal spikes in the company's share price.

(b) Non-derivative financial liabilities

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

(c) Share-based payment transactions

The fair value of employee share options is measured using the binomial option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on an evaluation of the company's historic volatility, particularly over the historic period commensurate with the expected term) and weighted average expected life of the instruments (based on historical experience), expected dividends and the risk free interest rate (based on government bonds). Service and non-market conditions are not taken into account in determining fair value.

(d) Investments in equity securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

6. Operating segments

The Group has one reportable segment, being nickel exploration and evaluation in Australia.

Information about reportable segments

	NICKEL EXPLORATION AND EVALUATION	
In thousands of AUD	2013	2012
For the year ended 30 June		
Reportable segment other income	386	331
Reportable segment exploration costs expensed	(1,334)	(2,354)
Reportable segment (loss) before income tax	(948)	(2,023)
Reportable segment assets	78,422	65,570
Capital expenditure	779	495

Reconciliations of reportable segment loss and assets

Loss		
Total loss for reportable segments	(948)	(2,023)
Unallocated amounts: other corporate expenses	(5,517)	(4,408)
Net finance income / (costs)	(6,917)	3,095
Income tax benefit	-	112
Loss before income tax	(13,382)	(3,224)
Assets		
Total assets for reportable segments	78,422	65,570
Other assets	5,374	21,927
	83,796	87,497

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2012.

7. Personnel expenses

In thousands of AUD	Note	2013	2012
Wages and salaries		902	819
Superannuation expense		180	183
Other associated personnel expenses		110	148
Increase/(Decrease) in liability for annual leave	21	43	44
		1,235	1,194

8. Finance income and expense

In thousands of AUD	Note	2013	2012
Interest income on bank deposits		468	430
Net gain on disposal of investments		1,331	-
Change in fair value of convertible note derivative	20	-	7,020
Finance income		1,799	7,450
Interest expense - convertible note		(3,457)	(2,806)
Interest expense on loan		(1,179)	(290)
Net foreign exchange loss		(3,601)	(1,122)
Impairment of investments		(162)	(137)
Change in fair value of convertible note derivative	20	(317)	-
Finance costs		(8,716)	(4,355)
Net finance income / (costs)		(6,917)	3,095

9. Income tax expense

In thousands of AUD	2013	2012
Current tax expense		
Current year	-	-
Adjustments for prior periods	265	41
	265	41
Deferred tax expense		
Origination and reversal of temporary differences	(265)	(41)
Deferred tax asset recognised on change in fair value of available-for-sale financial asset	-	112
	-	112
Total tax benefit / (expense)	-	112
Tax recognised directly in equity		
Available-for-sale financial assets	-	(112)

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2013	2012
Loss for the year	(13,382)	(3,224)
Total tax expense	-	(112)
Loss excluding tax	(13,382)	(3,336)
Income tax using the Company's domestic tax rate of 30% (2012: 30%)	(4,015)	(1,025)
Share-based payments	313	337
Deferred tax asset recognised in change in fair value of available-for-sale financial assets	-	112
Other non-deductible expenses	255	2
Under provided in prior periods	265	41
	(3,182)	(533)
Change in recognised deductible temporary differences	3,182	421
Total income tax (benefit)/expense	-	(112)

10. Property, plant and equipment

In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total
Cost					
Balance at 1 July 2011	1,006	186	1,938	283	3,413
Additions	-	2	495	-	497
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 30 June 2012	1,006	188	2,433	283	3,910
Balance at 1 July 2012	1,006	188	2,433	283	3,910
Additions	-	22	779	-	801
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 30 June 2013	1,006	210	3,212	283	4,711

10. Property, plant and equipment (cont.)

In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total
Depreciation and impairment losses					
Balance at 1 July 2011	149	137	612	173	1,071
Depreciation for the year	40	18	225	24	307
Disposals	-	-	-	-	-
Balance at 30 June 2012	189	155	837	197	1,378
Balance at 1 July 2012	189	155	837	197	1,378
Depreciation for the year	40	18	297	19	374
Disposals	-	-	-	-	-
Balance at 30 June 2013	229	173	1,134	216	1,752

Carrying amounts

In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total
At 1 July 2011	857	49	1,326	110	2,342
At 30 June 2012	817	33	1,596	86	2,532
At 30 June 2013	777	37	2,078	67	2,959

11. Exploration and evaluation expenditure

In thousands of AUD	2013	2012
Costs carried forward in respect of areas of interest in the following phase:		
Exploration and evaluation phase	71,931	59,550
Reconciliations: Exploration and evaluation phase		
Carrying amount at beginning of year	59,550	45,635
Additions	12,381	13,915
	71,931	59,550

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

12. Other investments

In thousands of AUD	2013	2012
Non-current investments		
Available-for-sale financial assets	44	693
	44	693

During the reporting period the Company has sold all 9,115,384 shares in Triton realising a pre-tax profit of $450,000 on the sale transaction.

The Company also completed the sale to Hodges Resources Ltd ("Hodges") of its subsidiary company Wells Gold Corporation (International) Pty Ltd which held the investment and interests in the Salman South and Mame gold prospects located in South Ghana. The Company received $750,000 plus 1,250,000 shares in Hodges. The carrying value of the subsidiary company was $1.00 and the Company has recognised a pre-tax profit of $881,000 profit on the sale which includes the value of the shares issued by Hodges at the time of allotment. The share price as at 30 June 2013 was $0.035 (date of allotment, 10 July 2012: $0.165).

13. Other non-current assets

In thousands of AUD	2013	2012
Security deposit - environmental bond	3,500	3,500
	3,500	3,500

The Company holds a cash collaterised security deposit of $3,500,000 to cover the provision (see note 23) made in recognition of an on-going commitment to the environmental rehabilitation of the Windarra mine sites.

14. Deferred tax assets and liabilities

Unrecognised deferred tax assets and liabilities

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

In thousands of AUD	2013	2012
Tax losses	17,166	11,860
	17,166	11,860

The Company has carry-forward tax losses of $100,334,000 at 30 June 2013 of which $12,934 has been recognised (30 June 2012: $80,566,000).

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.

14. Deferred tax assets and liabilities (cont.)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of AUD	2013	2012
Deferred Tax Liabilities		
Exploration expenditure	(14,681)	(10,967)
Fair value movement of convertible note derivative	-	(2,106)
Available-for-sale financial assets (recognised in equity)	-	(112)
Other items	(8)	(43)
Deferred Tax Assets		
Tax losses	12,934	12,310
Unrealised foreign exchange	1,080	380
Fair value movement of convertible note derivative	95	-
Available-for-sale financial assets	-	112
Other items	580	426
Net Deferred Tax (Asset) Liability	-	-

Following a Company initiated review of income tax returns, no further adjustments have been made in 2013 for exploration expenditure identified as deductible until such time as a final outcome is reached to a private ruling submitted to the ATO (2012: $2,953,000 is included within the Company's tax losses).

15. Trade and other receivables

Current

In thousands of AUD	2013	2012
Goods and services tax receivable	555	508
Fuel tax credits receivable	69	21
Research and development receivable	2,095	-
Other receivables	4	22
Other assets and prepayments	49	89
	2,772	640

16. Cash and cash equivalents

16a. Cash and cash equivalents

In thousands of AUD	2013	2012
Bank balances	2,583	20,576
Term deposits	7	6
Cash and cash equivalents in the statement of cash flows	2,590	20,582

The effective interest rate on term deposits in 2013 was 4.75% (2012: 6.00%). The deposits had an average maturity of 365 days (2012: 365 days).

16b. Reconciliation of cash flows from operating activities

In thousands of AUD	2013	2012
Cash flows from operating activities		
Loss for the period	(13,382)	(3,224)
Adjustments for:		
Income tax benefit	-	(112)
Depreciation	18	18
Interest expenses - convertible note derivative	3,457	2,806
Interest expenses - borrowings	1,179	290
Change in fair value of convertible note derivative	317	(7,020)
Change in fair value of available-for-sale financial assets	162	137
Net gain on disposal of investments	(1,331)	-
Net foreign exchange loss	3,601	1,122
Equity-settled share-based payment transactions	1,041	1,044
Operating profit before changes in working capital and provisions	(4,938)	(4,939)
Change in trade and other receivables	(306)	9
Change in trade payables and employee benefits	359	22
Net cash used in operating activities	(4,885)	(4,908)

17. Capital and reserves

Share capital

	ORDINARY SHARES	
In thousands of AUD	2013	2012
Ordinary shares		
Fully paid	409,241	407,064
Total share capital on issue at 30 June	409,241	407,064
Movements in ordinary shares on issue:		
On issue at 1 July	407,064	195,826
Shares issued and expensed during the period:		
Issued for cash	-	199,907
Issued for directors fees	1,578	1,052
Issued for 2011 employee performance bonus	-	5,495
Issued for managing director incentive	-	1,965
Cancelled party paid shares	-	(50)
Shares issued but expensed during the prior period:		
Issued for directors fees	598	260
Issued for professional broker fees	-	2,609
On issue at 30 June	409,241	407,064

During the 2012 year, the Company undertook a Rights Issue of 0.965 new fully paid ordinary shares for every 1 fully paid ordinary share held on the record date of 20 April 2012. An additional 199,906,923 new ordinary shares were issued.

17. Capital and reserves (cont.)

Share capital (cont.)

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

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

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.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Option premium reserve

The option premium reserve is used to record the value of equity received from the issue of options.

18. Earnings (loss) per share

Basic earnings (loss) per share

The calculation of basic earnings (loss) per share at 30 June 2013 was based on the loss attributable to ordinary shareholders of $13,382,000 (2012: loss $3,224,000) and a weighted average number of ordinary shares outstanding of 408,409,000 (2012: 243,275,000), calculated as follows:

Profit (loss) attributable to ordinary shareholders

In thousands of AUD	2013	2012
Net loss attributable to ordinary shareholders	(13,382)	(3,224)

Weighted average number of ordinary shares

In thousands of shares	2013	2012
Issued ordinary shares at 1 July	407,064	224,811
Effect of shares issued	1,345	18,464
Weighted average number of ordinary shares at 30 June	408,409	243,275

The prior year weighted average number of ordinary shares has been adjusted to take account of a rights issue undertaken in June 2012.

Diluted earnings (loss) per share

The Company does not have any potential ordinary shares whose conversion to ordinary shares would have a dilutive effect on basic earnings (loss) per share and as such diluted earnings (loss) per share is equal to basic earnings (loss) per share. Potential ordinary shares of the Company consist of 7,475,000 dilutive share options issued. In accordance with AASB 133 'Earnings per Share' these options have been excluded from the calculation of diluted earnings (loss) per share due to their anti-dilutive effect.

19. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 25.

In thousands of AUD	2013	2012
Current liabilities		
Convertible note liability	22,734	16,995
Borrowings	8,409	290
	31,143	17,285
Non-current liabilities		
Borrowings	-	7,880
	-	7,880

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				30 JUNE 2013		30 JUNE 2012	
In thousands of AUD	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Convertible note liability	USD	5.00%	2017	38,302	22,734	34,368	16,995
Borrowings	AUD	15.35%	2013	8,409	8,409	8,170	8,170
Total interest-bearing liabilities				46,711	31,143	42,538	25,165

Refer to note 3 and 28 for detailed terms of the $8 million unsecured bridge loan included in borrowings.

Convertible notes

In thousands of AUD	2013	2012
Carrying amount of liability at beginning of period	16,995	13,498
Exchange rate effects	2,282	691
Accrued interest capitalised	3,457	2,806
Carrying amount of liability at end of period	22,734	16,995

The Company has on issue a US$15 million and a US$20 million Convertible Note that were issued on 28 March 2011. The notes are convertible into ordinary shares of the Company at the option of the holder at any time up to 28 March 2017. The conversion rates for the notes are fixed at AU$0.30 and AU$0.40 respectively. The instrument is interest free for the first three years and then bears a coupon rate of 5% thereafter until maturity. The carrying amount of the liability has been calculated as the discounted original fair value, accrued for interest plus exchange adjustments.

20. Convertible Note Derivative

In thousands of AUD	2013	2012
Carrying amount of liability at beginning of period	4,507	10,948
Fair value movement	317	(7,020)
Exchange rate effects	1,318	579
Carrying amount of liability at end of period	6,142	4,507

The option component of the convertible notes is classified as a liability. The value of the derivative fluctuates with the Company's underlying share price and the difference in the Company's share price between 30 June 2012 (share price $0.10) and 30 June 2013 (share price $0.13) is reflected in the fair value movement. An increase in the share price of the Company increases the liability.

As the convertible notes are denominated in United States dollars (USD), the change in the exchange rate with the Australian dollar (AUD) is also taken into account in deriving the fair value movement during the period. The USD:AUD exchange rate at 30 June 2012 was 1.0184:1 and at 30 June 2013, 0.9138:1.

21. Employee benefits

Current

In thousands of AUD	2013	2012
Liability for annual leave	144	101
Total employee benefits - current	144	101

22. Share-based payments arrangements

Options

Options issued to Mr A Forrest and Mr R Monti in July 2007 which had an exercise price of $0.40 have lapsed during the reporting period. Options issued to Mr R Dennis, Mr N Hutchison in November 2007, Mr G Jones in April 2008 and to Mr D Singleton in December 2008 that did not meet the share price performance hurdles have lapsed during the reporting period. These options have lapsed are detailed below:

	OPTIONS LAPSED			
Directors	**Number**	**Grant date**	**Financial years in which grant vests**	**% lapsed in year**
Mr A Forrest	115,000,000	2 July 2007	2008	100%
Mr R Monti	2,500,000	2 July 2007	2008	100%
Mr D Singleton	2,000,000	27 November 2008	2013	100%
Executives				
Mr R Dennis	277,000	29 November 2007	2013	100%
Mr N Hutchison	142,000	30 November 2007	2013	100%
Mr G Jones	114,000	14 April 2008	2013	100%
	120,033,000			

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

Grant date / employees entitled	Number of Instruments	Vesting conditions	Contractual life of the options
Options granted to executives and employees on 21 September 2010	2,975,000	3 years' service and subject to share price hurdle	6 years
Options granted to non-executive directors on 23 November 2010	4,500,000	3 years' service and subject to share price hurdle	6 years
Total share options	7,475,000		

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

	Weighted average exercise price 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
Outstanding at 1 July	$0.400	117,500,000	$0.414	128,508,000
Exercised during the period	-	-	-	-
Granted during the period	-	-	-	-
Lapsed during the period	$0.408	(120,033,000)	$1.960	(1,000,000)
Outstanding at 30 June	$0.220	7,475,000	$0.402	127,508,000
Exercisable at 30 June	-	-	$0.400	117,500,000

The options outstanding at 30 June 2013 have an exercise price of $0.22 (2012: $0.25 to $1.41) and a weighted average contractual life of 6 years (2012: 5 years).

The board can decide to grant options to a limited number of senior executives at its discretion under the Poseidon Employee Option Plan ("ESOP") (made in accordance with thresholds set in plans approved by shareholders at the 2010 AGM). The ESOP provides for key management personnel to receive up to 100% of compensation as an option package as a competitive incentive and retention mechanism. The ability to exercise the options is conditional on a number of conditions that include service based and share price performance hurdles and must be exercised between 3 and 6 years of issue.

Shares

The terms and conditions related to share grants are as follows:

Grant date / employees entitled	Number of Instruments	Vesting conditions
Shares granted to executives and employees on 27 October 2011	5,495,398	The shares have a 3 year vesting period
Shares granted to executive director on 22 November 2011	1,965,000	The shares have a 3 year vesting period
Total shares	7,460,398	

22. Share-based payments arrangements (cont.)

Shares (cont.)

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

	Weighted average fair value 2013	Number of shares 2013	Weighted average fair value 2012	Number of shares 2012
Outstanding at 1 July	$0.22	8,098,398	$0.26	638,000
Vested during the period	$0.26	(638,000)	-	-
Forfeited during the period	-	-	-	-
Granted during the period	-	-	$0.21	7,460,398
Outstanding at 30 June	$0.21	7,460,398	$0.22	8,098,398

The board can decide to issue shares and hybrids in relation to the short-term performance bonus under the Poseidon Employee Bonus Scheme ("EBS") scheme whereby the employee has elected to receive their cash bonus in shares. The shares are subject to a 3 year continuous service condition from the date of issue. Shares vested during the year represent those issued on 24 November 2009 which have now vested in accordance with the terms of the scheme and are now utilisable by the individual.

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

	Directors 2013	Directors 2012	Executives & Employees 2013	Executives & Employees 2012
Fair value of grant	-	$0.19	-	$0.22
Share price at grant date	-	$0.19	-	$0.22

Hybrids

All hybrids are settled by the physical delivery of shares. The terms and conditions related to hybrid grants are as follows:

Grant date / employees entitled	Number of Instruments	Vesting conditions	Fair value of grant
Hybrids granted to non-executive directors on 21 November 2012	784,742	The hybrids vested immediately upon grant	$0.09
Hybrids granted to non-executive directors on 31 December 2012	493,782	The hybrids vested immediately upon grant	$0.14
Hybrids granted to non-executive directors on 31 March 2013	299,877	The hybrids vested immediately upon grant	$0.23
Hybrids granted to non-executive directors on 30 June 2013	375,789	The hybrids vested immediately upon grant	$0.18
Total shares	1,954,190		

The fair value of hybrids granted is equal to the value of cash compensation that has been elected to be taken as shares by non-executive directors under the terms of the Director Share Plan ("DSP"). The number of hybrids granted is calculated by dividing the value of cash compensation by the 5 days volume weighted average price of the Company's shares at the date of grant.

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

	Weighted average fair value 2013	Number of hybrids 2013	Weighted average fair value 2012	Number of hybrids 2012
Outstanding at 1 July	$0.25	1,276,000	$0.25	1,276,000
Granted during the period	$0.14	1,954,190	$0.16	1,650,770
Vested during the period	$0.18	(3,230,190)	$0.16	(1,650,770)
Outstanding at 30 June	-	-	$0.25	1,276,000

The hybrids granted during year ended 30 June 2013 have a purchase price in the range of $0.087 to $0.229 (2012: $0.1091 to $0.1965).

Other - equity settled

No loans were issued to directors or executives during the reporting period.

The number and weighted average exercise prices of the loan shares are as follows:

	Weighted average exercise price 2013	Number of loan shares 2013	Weighted average exercise price 2012	Number of loan shares 2012
Granted during the period	-	-	$0.10	5,050,000
Vested during the period	-	-	$0.10	5,050,000
Outstanding at 30 June	-	-	-	-

During 2012, loans were made to executive directors and employees by Forrest Family Investments Pty Ltd ("FFI"), a company controlled by the Company's non-executive chairman and major shareholder Mr Andrew Forrest. The loans were provided to financially assist in the purchase of shares in the Company to which existing shareholders were entitled under the terms of a Rights Issue undertaken in May 2012. The arrangement constitutes a share-based payment transaction because the loans have only been provided to employees of the Company and the employee is required to remain in employment for the three year term of the loan. The employee is therefore being compensated for providing services to the Company through an arrangement set up by a shareholder of Poseidon. Refer to note 28 for further details of the terms of the loans.

22. Share-based payments arrangements (cont.)

Other - equity settled (cont.)

The fair value of services received for the loans granted is based on the fair value of shares granted, which is measured using a Monte Carlo simulation model with the following inputs:

Fair value of loan shares and assumptions	2013	2012
Fair value at grant date	-	$0.012
Share price at grant date	-	$0.095
Exercise price	-	$0.100
Personal guarantee	-	$0.040
Expected volatility (weighted average volatility)	-	70%
Risk free rate	-	3.08%
Loan term	-	3 years

Share-based payment expense

In thousands of AUD	2013	2012
Share options granted in 2011	176	177
Share options granted in 2009	-	29
Shares granted in 2012	527	348
Shares granted in 2010	22	55
Hybrids granted in 2012	274	261
Hybrids granted in 2010	45	111
Other granted in 2012	-	63
Total expenses recognised as employee costs	1,044	1,044

23. Provisions

In thousands of AUD	2013	2012
Site restoration	3,500	3,500
	3,500	3,500

The provision of $3,500,000 is in respect of the Group's on-going obligation for the environmental rehabilitation of the Windarra mine sites. The Company continues to work with the Department of Mines and Petroleum with regards to the planning and timing of rehabilitation.

24. Trade and other payables

In thousands of AUD	2013	2012
Trade payables	1,610	687
Other payables	707	383
	2,317	1,070

25. Financial risk management

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.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from other third parties, investments, banks and financial institutions.

Investments, banks and financial institutions

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

Trade and other receivables

As the Group operates in the mining exploration sector, the Group generally does not have trade receivables (only 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 other than the transaction disclosed above.

25. Financial risk management (cont.)

Exposure to credit risk

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

		CARRYING AMOUNT	
In thousands of AUD	**Note**	**2013**	**2012**
Cash and cash equivalents	16a	2,590	20,582
Other investments	12	44	693
Other assets	13	3,500	3,500

Financial assets past due but not impaired

As the Group is not trading 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.

Financial assets neither past due nor impaired

The Group's credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or past history:

In thousands of AUD	**2013**	**2012**
Cash and cash equivalents		
AA	-	-
AA-	79	80
A	2,511	20,502
Other non-current assets		
Security deposit - environmental bond	3,500	3,500
Other investments	44	693

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, is that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Group also manages liquidity risk by producing monthly cash-flow forecasts for the current and future financial year to ensure that there is a clear and up-to-date view of the short-term to medium term funding requirements. These are regularly reviewed by management and the board where the implications on funding requirements and the possible sources of those funds are discussed, decisions taken when necessary and action taken to secure funding if required (refer to note 3 on going concern). 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:

Consolidated

30 June 2013

CONTRACTED

In thousands of AUD	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	2,317	2,317	-	-	-	-
Bridge loan	8,409	8,682	-	-	-	-
Convertible note	22,734	-	-	-	38,302	-
	33,460	10,999	-	-	38,302	-

Consolidated

30 June 2012

CONTRACTED

In thousands of AUD	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	1,070	1,070	-	-	-	-
Bridge loan	8,170	444	495	8,409	-	-
Convertible note	16,995	-	-	-	34,368	-
	26,235	1,514	495	8,409	34,368	-

1. The balances above will not always agree to the financial statements as the contracted cash-flows above are undiscounted. The carrying amount is the balance as recognised in the statement of financial position;
2. As the convertible note liability can only be paid out in shares and not cash during its term, the repayment is shown at maturity in 2017. This differs from the disclosure as a current liability on the consolidated statement of financial position due to the ability of the note holder to convert to shares;
3. The maturity analysis has assumed the earliest contractual maturity of the convertible notes for a payment in cash. Interest on the convertible note is not due until year 4 of the 6 year term and at the Group's discretion, can be settled in shares. As such, no interest payments have been included in the analysis;
4. On 25 June 2013, the Company signed and extension on their $8m Bridging Loan with Forrest Family Investments Pty Ltd. The Parties agreed that with effect from the date of the Agreement the Bridging Loan is varied by replacing the maturity Date of "July 1, 2013" with "October 1, 2013. The parties confirmed that the Coupon Rate payable during this extension of the term is 13% per annum. Subsequent to year end, the maturity date of the loan has been extended to 1 October 2014, refer to note 32 for further details.

25. Financial risk management (cont.)

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 Group is exposed to currency risk on cash and borrowings that are denominated in a currency other than the functional currency of Group entities, the Australian dollar (AUD). The currency in which these transactions are denominated are United States Dollars (USD).

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows:

	30 JUNE 2013		30 JUNE 2012	
In thousands of AUD	USD	Total	USD	Total
Convertible note derivative	(6,142)	(6,142)	(4,507)	(4,507)
Convertible note liability	(22,734)	(22,734)	(16,995)	(16,995)
Cash and cash equivalents	-	-	-	-
Gross statement of financial position exposure	(28,876)	(28,876)	(21,502)	(21,502)

Sensitivity analysis

The following sensitivities have been applied for 2013 based upon published 12 month forward rates:

- A 5% weakening of AUD against the USD with the equal effect in the opposite direction.

The following sensitivities were applied for 2012 based upon published 12 month forward rates:

- A 5% weakening of AUD against the USD with the equal effect in the opposite direction.

	CONSOLIDATED	
In thousands of AUD	Equity	Profit or (loss)
30 June 2013		
USD	-	(1,377)
30 June 2012		
USD	-	(286)

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

(b) Interest rate risk

The Group is exposed to interest rate risk due to variable interest being earned on its interest bearing bank accounts and the value of the convertible note derivative (as the derivative fluctuates both with the underlying company share price and the risk free rate of interest). The Group adopts a policy of periodically reviewing interest rates to ensure the Group is earning the optimal interest income.

Profile

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

In thousands of AUD	2013	2012
Fixed rate instruments		
Cash and cash equivalents	7	6
Convertible note derivative	6,142	4,507
In thousands of AUD		
Variable rate instruments		
Cash and cash equivalents	2,573	20,541
Security deposits - environmental bond	3,510	3,535

Cash flow sensitivity analysis for variable rate instruments

As at 30 June 2012 and 2013 a sensitivity analysis has not been disclosed in relation to the floating interest deposits and convertible note for the Group as the results are not material to the statement of profit or loss and other comprehensive income.

(c) Equity price risk

The Group is exposed to equity price risk on its financial liabilities and equity investments. The convertible note derivative fluctuates with the Company's underlying share price until either the convertible note is repaid by the Company, or the option holder converts.

The Group has no policy for mitigating potential adversities associated with its own equity price risk given its dependence on market fluctuations. In relation to equity price risk arising on other investments balances, the Group regularly reviews the prices to ensure a maximum return.

Profile

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

In thousands of AUD	CARRYING AMOUNT	
	2013	2012
Variable Rate Instruments		
Convertible note derivative	6,142	4,507
Other investments	44	693

25. Financial risk management (cont.)

Market risk (cont.)

(c) Equity price risk (cont.)

Price risk sensitivity

Equity Price Risk

In relation the convertible note derivative, the Group have used an equity price change of 85% (2012: 75%) upper and lower representing a reasonable possible change based upon the company's historic share price volatility over the last 3 years of trading.

In relation to the available-for-sale assets, the Group have used an equity price change of 95% (2012: 105%) upper and lower representing a reasonable possible change based upon the company's historic share price volatility over the last 12 months.

	PROFIT OR (LOSS)		EQUITY	
In thousands of AUD	increase	decrease	increase	decrease
30 June 2013				
Convertible note derivative	(8,809)	5,914	(8,809)	5,914
Available-for-sale financial assets	-	-	42	(42)
Cash flow sensitivity (net)	(8,809)	5,914	(8,767)	5,872

	PROFIT OR (LOSS)		EQUITY	
In thousands of AUD	increase	decrease	increase	decrease
30 June 2012				
Convertible note derivative	(5,326)	3,990	(5,326)	3,990
Available-for-sale financial assets	-	-	727	(693)
Cash flow sensitivity (net)	(5,326)	3,990	(4,599)	3,297

Fair values

Fair values versus carrying amounts

Cash and cash equivalents

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

Other Receivables

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

Bridge Loan

Due to the short-term nature of the loan, its carrying amount is deemed to represent its fair value.

Available-for-sale financial assets

The available-for-sale financial assets have been recorded at its fair value therefore there is no difference between its fair value and carrying value.

Convertible note liability

The carrying amount and fair value of the convertible note at balance date is:

	CARRYING AMOUNT		FAIR VALUE	
In thousands of AUD	2013	2012	2013	2012
On statement of financial position				
Convertible note liability	22,734	16,995	35,107	33,777

The fair value of the convertible note liability is based on accreted discounted amount of the original cash proceeds using an appropriate discount rate.

Convertible Note Derivative

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

Fair values hierarchy

The following tables classify financial instruments recognised in the statement of financial positions of the Group according to the hierarchy stipulated in AASB 7 as follows:

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

(b) Level 2 - a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or

(c) Level 3 - a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

Comparative information has not been provided as permitted by the transitional provisions of the new rules.

In thousands of AUD	Level 1	Level 2	Level 3	Total
Fair value through profit or loss:				
Convertible note derivative	-	6,142	-	6,142
Available for sale financial assets:				
Listed equity securities	44	-	-	44

The fair value of financial instruments traded in active markets is based upon quoted market prices at the end of the reporting period. The quoted market price is the quoted bid prices which are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group makes a number of assumptions based upon observable market data existing at each reporting period. The fair value of the convertible note derivative is determined using an option pricing model based upon various inputs at the end of the reporting period. These instruments are included in Level 2.

25. Financial risk management (cont.)

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

The Group management defines net debt as total borrowings (note 19) less cash and cash equivalents (note 16) and equity as the sum of share capital, reserves and retained earnings as disclosed in the statement of financial position. The gearing ratio for the current year was 71% (2012: 9%) for the Group. Refer to note 3 for the Group's capital management as it implies to going concern.

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.

26. Operating leases

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2013	2012
Less than one year	173	160
Between one and five years	-	166
More than five years	-	-
	173	326

The Group leases business office premises under non-cancellable operating leases expiring in 1 year. The lease has varying terms, escalation clauses and renewal rights. The terms of the lease were renegotiated from 1 July 2011 for a 3 year term.

27. Capital and other commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company and Group are required to perform minimum exploration work to meet the minimum expenditure requirements specified by the State Government. These obligations are subject to renegotiation when application for a mining lease is made and at other times. In addition, the commitments include a $3 million of expenditure for the earn in agreement with Panoramic Resources Limited (refer note 30). These obligations are not provided for in the financial report and are payable as follows:

In thousands of AUD	2013	2012
Less than one year	3,260	1,125
Between one and five years	520	2,480
More than five years	1,115	617
	4,895	4,222

28. Related parties

The key management personnel compensation included in 'personnel expenses' (note 7) and 'share-based payments' (note 22), is as follows:

In thousands of AUD	2013	2012
Short-term employee benefits	1,829	1,748
Post-employment benefits	135	140
Share-based payments	983	982
	2,947	2,870

Individual directors and executives compensation disclosures

Information regarding individual directors and executive's compensation and some equity instruments disclosures as required by S300A of the Corporations Act and Corporations Regulations 2M.3.03 are provided in the Remuneration report section of the Directors' report in section 7.6.

Apart from the details disclosed in this note, no director 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.

Loans to key management personnel and their related parties

During 2012, personal loans were made to a number of key management personnel and employees by Forrest Family Investments Pty Ltd ("FFI"), a company controlled by the Company's non-executive chairman and major shareholder Mr Andrew Forrest. The loans were provided to financially assist in the purchase of shares in the Company to which existing shareholders were entitled under the terms of a Rights Issue undertaken in May 2012. The key terms of the loans are as follows:

- The shares acquired are placed into a holding lock escrow arrangement with the Company's share registry;
- The term of the loan is three years;
- A fixed interest rate of 5% per annum;
- The loan is interest only for the term of the loan;
- The Lender will provide a limited personal guarantee of $0.04 per share acquired under the agreement in the event that the shares are sold below the $0.10 acquisition price; and
- The loan becomes immediately repayable if the employee ceases to be an employee of the Company.

No new loans have been provided by FFI to key management personnel and employees in the current year (2012: $505,000). The fair value of this transaction has been recognised as an equity contribution by the Group from a shareholder in the prior reporting period.

28. Related parties (cont.)

Other key management personnel transactions

In March 2012 and subsequently varied on 25 June 2013, the Company entered into an $8,000,000 unsecured Bridge Loan with FFI. The loan was negotiated on commercial terms and conditions, the key terms being as follows:

- The drawdown date for the loan was 30 March 2012;
- The loan was to be repaid by the Company on the earlier of 1 July 2013 and as soon as the Company completes a final capital raising. On 25 June 2013 the parties agreed to vary the terms of the agreement and extend the maturity date to 1 October 2013. On 30 September a further extension to the maturity date was agreed between the parties to 1 October 2014;
- The lender has exercised their right to demand that the Bridge Loan is repaid through the proceeds of an equity raising as soon as reasonably practicable but no later than the maturity date;
- The loan is unsecured and the Company may not grant security while the loan remains outstanding;
- The Lender has the right to demand that the loan is repaid through a mandatory capital raising at the end of the extended term if it has not been repaid by that time;
- Interest of 13% per annum is currently payable on the loan; and
- A 1.5% commitment fee is payable upfront and a 1.5% exit fee is payable on the loan amount when the principal is repaid.

In 2012, the Company completed a fully underwritten renounceable Rights Issue of 0.965 new fully paid ordinary shares in the Company for every one fully paid ordinary share held on the records date. The new shares under the Rights Issue were offered at $0.10 per share. The Rights Issue was fully underwritten by FFI and the Company paid a 5% underwriting fee for the underwritten shares (excluding shares held by the underwriter or its related parties), less the amount the underwriter or its associates would have to pay if it subscribed for its full entitlement under the offer and also less broker fees payable on trading the rights. This amounted to an underwriting fee payable of $1,073,000.

This underwriting was deemed by the Company to be on arms length terms and the Underwriting Agreement contains standard commercial terms and conditions.

Options and rights over equity instruments

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

Directors	Held at 1 July 2012	Granted as compensation	Lapsed	Other changes	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Mr A Forrest	-	-	-	-	-	-	-
Mr C Indermaur	1,000,000	-	-	-	1,000,000	-	-
Mr R Monti	1,500,000	-	(1,250,000)	-	250,000	-	-
Mr G Brayshaw	250,000	-	-	-	250,000	-	-
Mr D Singleton	5,000,000	-	(2,000,000)	-	3,000,000	-	-
Executives							
Mr R Dennis	777,000	-	(277,000)	-	500,000	-	-
Mr N Hutchison	842,000	-	(142,000)	-	700,000	-	-
Mr M Rodriguez	1,000,000	-	-	-	1,000,000	-	-
Mr G Jones	614,000	-	(114,000)	-	500,000	-	-

No options were exercised during the period. The options issued to Mr R Monti in July 2007 lapsed during the period as the exercise price of $0.40 was higher than the shares price at the date of expiry. The options issued to Mr D Singleton in November 2008, Mr R Dennis and Mr N Hutchison in November 2007 and Mr G Jones in April 2008 lapsed during the reporting period as the share price performance hurdles had not been met.

Directors	Held at 1 July 2011	Granted as compensation	Exercised	Other changes	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Mr A Forrest	-	-	-	-	-	-	-
Mr C Indermaur	1,000,000	-	-	-	1,000,000	-	-
Mr R Monti	1,500,000	-	-	-	1,500,000	-	1,250,000
Mr G Brayshaw	250,000	-	-	-	250,000	-	-
Mr D Singleton	6,000,000	-	(1,000,000)	-	5,000,000	-	-
Executives							
Mr R Dennis	777,000	-	-	-	777,000	-	-
Mr N Hutchison	842,000	-	-	-	842,000	-	-
Mr M Rodriguez	1,000,000	-	-	-	1,000,000	-	-
Mr G Jones	614,000	-	-	-	614,000	-	-

No options held by key management personnel are vested but not exercisable at 30 June 2013 (30 June 2012: nil).

28. Related parties (cont.)

Movements in shares

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

Directors	Held at 1 July 2012	Granted as compensation	Received on exercise of options	Purchases, sales or donations	Held at 30 June 2013
Mr A Forrest	129,824,875	-	-	-	129,824,875
Mr C Indermaur	903,605	-	-	-	903,605
Mr R Monti	1,410,750	-	-	-	1,410,750
Mr G Brayshaw	998,936	-	-	-	998,936
Mr D Singleton	5,938,438	-	-	-	5,938,438
Executives					
Mr R Dennis	2,655,076	-	-	-	2,655,076
Mr N Hutchison	1,265,226	-	-	-	1,265,226
Mr M Rodriguez	2,660,447	-	-	-	2,660,447
Mr G Jones	1,483,341	-	-	-	1,483,341

Directors	Held at 1 July 2011	Granted as compensation	Received on exercise of options	Purchases, sales or donations	Held at 30 June 2012
Mr A Forrest	5,000,000	-	-	124,824,875	129,824,875
Mr C Indermaur	-	-	-	903,605	903,605
Mr R Monti	237,500	-	-	1,173,250	1,410,750
Mr G Brayshaw	-	-	-	998,936	998,936
Mr D Singleton	1,873,438	1,965,000	-	2,100,000	5,938,438
Executives					
Mr R Dennis	193,246	1,461,830	-	1,000,000	2,655,076
Mr N Hutchison	135,000	1,055,766	-	74,460	1,265,226
Mr M Rodriguez	225,688	1,434,759	-	1,000,000	2,660,447
Mr G Jones	90,000	893,341	-	500,000	1,483,341

The shares were granted to directors and executives under the terms of EBS. Refer to section 7.6.1 of the Directors' report.

Movements in hybrids

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

Directors	Held at 1 July 2012	Granted as compensation	Donations	Vested and held as shares at 30 June 2013
Mr A Forrest	-	341,343	(341,343)	-
Mr C Indermaur	1,114,706	582,416	-	1,697,122
Mr R Monti	1,129,201	492,815	-	1,622,016
Mr G Brayshaw	1,199,780	537,616	-	1,737,396
Mr D Singleton	801,563	-	-	801,563
Executives				
Mr R Dennis	386,491	-	-	386,491
Mr N Hutchison	265,000	-	-	265,000
Mr M Rodriguez	371,375	-	-	371,375
Mr G Jones	180,000	-	-	180,000

Directors	Held at 1 July 2011	Granted as compensation	Donations	Vested and held as shares at 30 June 2012
Mr A Forrest	-	288,344	(288,344)	-
Mr C Indermaur	622,719	491,987	-	1,114,706
Mr R Monti	712,904	416,297	-	1,129,201
Mr G Brayshaw	745,638	454,142	-	1,199,780
Mr D Singleton	801,563	-	-	801,563
Executives				
Mr R Dennis	386,491	-	-	386,491
Mr N Hutchison	265,000	-	-	265,000
Mr M Rodriguez	371,375	-	-	371,375
Mr G Jones	180,000	-	-	180,000

29. Group entities

Significant subsidiaries

Parent entity	Country of incorporation	OWNERSHIP INTEREST 2013	OWNERSHIP INTEREST 2012
Poseidon Nickel Ltd			
Significant subsidiaries			
Poseidon Nickel Atlantis Operations Pty Ltd	Australia	100%	100%
Poseidon Nickel Olympia Operations Pty Ltd	Australia	100%	100%
Wells Gold Corporation (International) Pty Ltd	Australia	-	100%

In the financial statements of the Company, investments in subsidiaries are measured at cost. The Company has no jointly controlled entities. During the period, the Company completed the sale of its 100% interest in Wells Gold Corporation (International) Pty Ltd to Hodges Resource Ltd (refer note 12).

30. Joint ventures

The Company has an agreement with Panoramic Resources Limited ("Panoramic") (who acquired Magma Metals Limited with whom the original agreement was entered into), for Poseidon to earn into the nickel, copper and PGE rights to a large tenement package adjoining the Windarra Nickel Project. The Company can earn a 60% interest in the rights during a 3 year earn in period to September 2014 for an expenditure of $3,000,000 following which Panoramic have the right to make an election to either contribute its share to further exploration expenditure, or assign a further 20% interest to Poseidon. The Company currently hold 0% equity interest in the joint venture.

Following the completion of a feasibility study on any project on the tenements and if a decision to mine is made, Panoramic may elect to assign its remaining 20% share to Poseidon in exchange for a 2.5% net smelter royalty.

An amount of $23,566 (2012: $76,849) has been incurred in relation to the joint venture which represents exploration expenditure and is included in the total exploration costs expensed in the Statement of Comprehensive Income of $1,334,000 (2012: $2,354,000).

31. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2013 the parent company of the Group was Poseidon Nickel Limited.

In thousands of AUD	Note	2013	2012
Results of the parent entity			
Loss for the period		(13,382)	(3,224)
Other comprehensive income / (loss)		(262)	262
Total comprehensive loss for the period		(13,644)	(2,962)
Financial position of the parent entity at year end			
Current assets		5,362	21,222
Total assets		83,796	87,497
Current liabilities		43,246	26,463
Total liabilities		43,246	34,343
Total equity of the parent entity comprising of:			
Share capital		100,896	100,033
Share-based payments reserve		472	234,259
Fair value reserve		-	262
Option premium reserve		-	510
Accumulated losses		(60,818)	(281,910)
Total equity		40,550	53,154
Exploration expenditure commitments of the parent			
Less than one year		3,260	1,125
Between one and five years		520	2,480
More than five years		1,115	617
		4,895	4,222

32. Subsequent events

Since the end of the financial year the Company and Forrest Family Investments Pty Ltd, an entity controlled by the Company's former Chairman Mr Andrew Forrest, have agreed to extend the maturity date of the $8,000,000 Bridge Loan to 1 October 2014. The lender has also exercised their right to demand that the Bridge Loan is repaid through the proceeds of an equity raising as soon as reasonably practicable but no later than the maturity date. Refer to Note 3 of the notes to the consolidated financial statements for further information.

On 27 September 2013, Mr Andrew Forrest resigned as Chairman of the Company due to his overwhelming philanthropic duties. During his time as Chairman, the Company has taken the project from a concept to an exciting project ready for construction. Mr Forrest will continue to be a major shareholder and continue to support the Company. Mr H E "Bud" Scruggs has been elected as the new Chairman having served as Mr Forrest's alternate on the board since September 2012 and was previously the CEO of The Metal Group, then the private holding company of the business interests of Andrew and Nicola Forrest and COO of the Australian Children's Trust which was the principal philanthropic entity of the Forrest family. In addition, Mr Richard Monti resigned as a director on 28 September 2013.

33. Auditors' remuneration

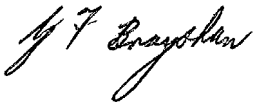
	CONSOLIDATED	
In AUD	2013	2012
Audit services		
Auditors of the Group - KPMG		
Audit and review of financial reports	66,349	65,954
	66,349	65,954
Services other than statutory audit		
Non-statutory review of financial reports	82,475	58,744
Accounting assistance and advice	-	10,000
	82,475	68,744
	148,824	134,698

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2013

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 64 to 110 and the Remuneration report in section 7.6 in the Directors' report, 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 2013 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 chief executive officer and financial controller for the financial year ended 30 June 2013.
3. The directors draw attention to note 2(a) 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 G Brayshaw
Director

Perth
30th September 2013

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

Report on the financial report

We have audited the accompanying financial report of Poseidon Nickel Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and 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 ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is 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 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion expressed above, attention is drawn to Note 3 in the financial report. The matters set forth in Note 3 indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in section 7.6 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Poseidon Nickel Limited for the year ended 30 June 2013 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

G Hm

Graham Hogg
Partner

Perth

30 September 2013

LEAD AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2013

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

To: the directors of Poseidon Nickel Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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.

KPMG

KPMG

Graham Hogg
Partner

Perth

30 September 2013

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2013

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 19 August 2013.

A. Distribution of equity securities

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

	CLASS OF EQUITY SECURITY
	Ordinary Shares
1 - 1000	1,909
1,001 - 5,000	2,147
5,001 - 10,000	891
10,001 - 100,000	1,620
100,001 and over	380
	6,947

There were 3,633 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:

	ORDINARY SHARES	
Name	Number held	Percentage of issued shares
Forrest Family Investments Pty Limited <Pepingee A/c>	119,999,874	30.17%
Citicorp Nominees Pty Limited	24,623,696	6.19%
Minderoo Pty Ltd <Andrew & Nicola Forrest Family>	9,825,000	2.47%
UBS Nominees Pty Ltd	8,887,667	2.23%
JP Morgan Nominees Australia Limited <Cash Income A/c>	8,815,176	2.22%
Mr David Graham & Mrs Deborah Fiona Lacey	5,885,000	1.48%
HSBC Custody Nominees (Australia) Limited	3,835,349	0.96%
J & F James Brothers Holdings Pty Ltd	3,389,625	0.85%
Wisegroup Investments Pty Ltd	3,129,040	0.79%
Mr Roger Anthony Pierce	3,089,273	0.78%
Greatcity Corporations Pty Ltd <Richard Monti A/c>	3,032,766	0.76%
Mr John Barry Lemke	3,000,000	0.75%
Mr Kenneth Charles Ambrecht	2,608,863	0.66%
NEFCO Nominees Pty Ltd	2,600,000	0.65%
Mr Geoff Brayshaw	2,336,333	0.59%
R A Pierce Pty Ltd <Roger A Pierce S/F A/c>	2,201,500	0.55%
Mr Christopher Charles Indermaur & Mrs Rena Elizabeth Indermaur <Indermaur Family S/F A/C>	2,018,311	0.51%
Mr David Singleton	1,875,000	0.47%
Mr David Manston & Ms Dawn Morgan <Morgan Super Fund A/C>	1,863,865	0.47%
The Minderoo Foundation Pty Ltd <Australian Children's Fund>	1,825,876	0.46%
TOTAL	214,842,214	54.01%

C. Substantial holders

Substantial holders in the company are set out below:

Ordinary shares	Number held	Percentage
Forrest Family Investments Pty Limited <Pepingee A/c>	119,999,874	30.17%
Citicorp Nominees Pty Limited	24,623,696	6.19%

D. Unquoted equity security holders (as at 19 August 2013)

Options

Mr David Singleton holds 4,500,000 options representing 100% of the total number of November 2016 unlisted options on issue.

Mr Michael Rodriguez holds 1,000,000 options representing 33% of the total number of August 2016 unlisted options on issue.

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.

F. Schedule of Tenements

Areas of Interest Poseidon Nickel Limited, Western Australia	Tenements	Economic Entity's Interest
- Windarra Nickel Assets	MSA 38/261, G 38/21, L 38/121, L39/184, L38/199, L38/218, L39/221	100%
- Windarra South	L 38/119, L 38/122, L38/220	100%
- Woodline Well	M39/1075, L39/224	100%
- Pool Well	M 38/1243, M 38/1244, M 38/1245, L38/118	100%
- Laverton	E 38/1752, E 39/1325, E 39/1326	100%
- East Laverton	E38/2705, E38/2706, E38/2707	100%
- Brown Well	P38/3989, P38/3990, P38/3991	100%

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

L = Miscellaneous Licence

CORPORATE DIRECTORY.

Poseidon Nickel Limited

ABN: 60 060 525 206

Incorporated in Australia

Directors

Mr H Scruggs

Mr D Singleton

Mr C Indermaur

Mr G Brayshaw

Company secretary

Mr R Kestel

Registered office

Level 2, 100 Railway Road

Subiaco WA 6008

Principal office

Unit 8, Churchill Court

331-335 Hay Street

Subiaco WA 6008

Website: www.poseidon-nickel.com.au

Email: admin@poseidon-nickel.com.au

Telephone: +61 8 9382 8799

Facsimile: +61 8 9382 4760

Postal address

PO Box 190

West Perth WA 6872

Auditors to the Company

KPMG

Chartered Accountants

235 St George's Terrace

Perth WA 6000

Share registry

Computershare Investor

Services Pty Ltd

Level 2, Reserve Bank Building

45 St George's Terrace

Perth WA 6000

ASX Code

Shares: POS

Country of incorporation and domicile

Australia

POSEIDON NICKEL

AUSTRALIA'S NEW NICKEL

www.poseidon-nickel.com.au
ABN 60 060 525 206