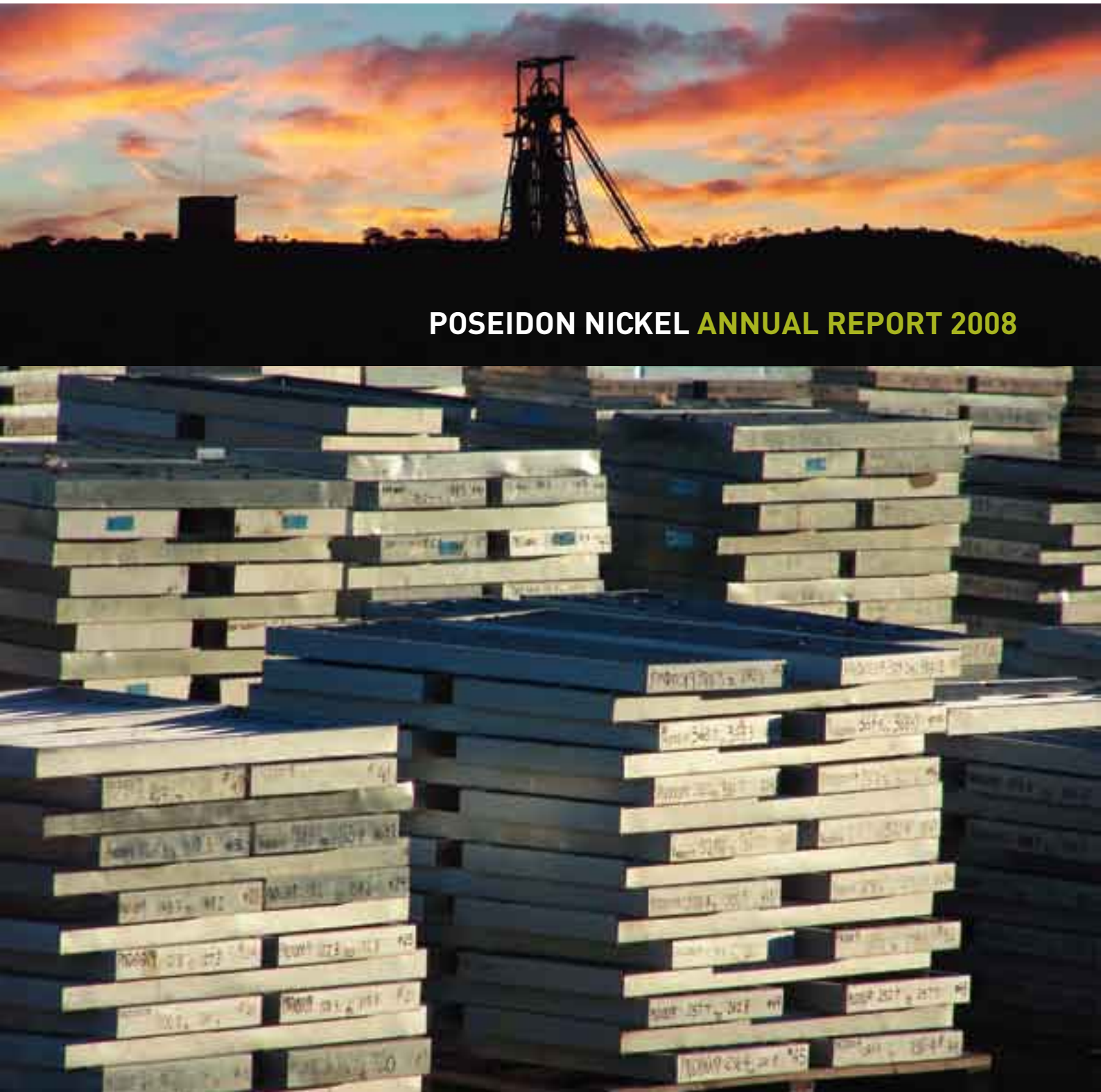
POSEIDON NICKEL



POSEIDON NICKEL ANNUAL REPORT 2008

Safety is a priority at the Windarra Nickel Project. Poseidon has in place the resources and trained personnel to manage a range of possible incidents and scenarios and also provide support to the local community.

Poseidon Nickel Limited

ABN: 60 060 525 206

Incorporated in Australia

Directors

Mr A Forrest

Mr C Indermaur

Mr R Monti

Mr D Singleton

Mr G Brayshaw

Company secretary

Mr R Kestel

Registered office

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PO Box 190

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Auditors to the Company

KPMG

Chartered Accountants

152-158 St George's Terrace

Perth WA 6000

Share registry

Computershare Investor

Services Pty Ltd

Level 2, Reserve Bank Building

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Perth WA 6000

ASX code

Shares POS

Country of incorporation and domicile

Australia

Front cover top: Sun setting behind Mt Windarra with the silhouette of the iconic Windarra head frame in the foreground and the 4 million litre water tank set high on hill.

Front cover lower: Stacked core trays illuminated by floodlighting in the exploration core library. The core library holds over 30,000m of diamond core which has been drilled since Poseidon acquired the Windarra Project.

Front cover photography by Marian Czepiel. Additional photography by Craig Kinder (F22) and Poseidon Nickel employees.

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Flora and fauna environmental studies are now underway on the Windarra site. Carried out over a period of 12 months, the study will inform Poseidon of their environmental position ensuring that we minimise the impact of future mining activities. Poseidon is also removing about 1.5 million tonnes of water from the mine and carries out regular checks to ensure that water quality standards are met.

Poseidon is a unique business, having a substantial well drilled resource base, significant infrastructure already in place and, very importantly, the freedom to produce either a nickel concentrate or a metal.

It is with great pleasure that I present to you Poseidon Nickel's Annual Report for 2008, and what a year it has been. There is no denying my first year as Chairman of Poseidon was full of challenges related to unpredictable equity and credit markets, volatile commodity prices and new discoveries. The new team has been in the saddle for just over a year yet tremendous progress has been made.

Our aim is to establish Poseidon as a globally significant Australian mining company in the nickel industry. Execution will commence by redeveloping the Windarra Nickel Project, a project synonymous with the birth of Australia's nickel industry, as a major operation targeting 20,000 tonnes of nickel per annum. The Nickel market has clearly entered a settling down period after the exuberance that characterised metals markets in early 2007. Nickel is a fundamental ingredient in the high quality steels that lay at the heart of the industrialisation process underway in Asia and there is no indication that this process will slow materially for the foreseeable future.

During the year, we continued to build a highly experienced management team, confirmed an interim JORC-compliant resource of more than 60,000 tonnes of contained nickel at Mt Windarra that is certain to grow, commenced the refurbishment of the Mt Windarra underground mine and made what is shaping as a significant nickel discovery to the south at Denny Bore.

In late June, we capped off our year by successfully completing a $US50 million

convertible note issue. To have negotiated such a major capital raising on highly beneficial terms for Poseidon in the prevailing market, further underlines the robust nature of our business and investor confidence in our ability to deliver.

Poseidon is a unique business, having a substantial well drilled resource base, significant infrastructure already in place and, very importantly, the freedom to produce either a nickel concentrate or a metal. This adds up to a strong value proposition. Our role in the leadership team is to realise this benefit in a professional and expeditious way.

With that in mind, I believe we have assembled a Board and executive team with the knowledge, breadth of experience and determination to fulfil our vision. The team are all successful people in their own right and blend backgrounds in geology, strategy, engineering design, construction and in raising investment finance. It is also satisfying to me that our team includes a number of people who were associated with Windarra during its initial phase of operation and want to play a role in this next exciting phase.

You may be aware that I have previously donated most of my Poseidon stake to the Australian Children's Trust. I am passionate about the benefit this charity can bring to so many and having the charity as a primary stakeholder in the future of the Company has heightened my determination in its success.

As Chairman, I am committed to good corporate governance and protecting the interests of shareholders both in building value and integrity in the Company. I will, along with the support of the Board Members, ensure that this Company is both transparent and professional in discharging its obligations. I look forward to the year ahead and the development of this historic asset.

Andrew Forrest

Non-executive Chairman

Getting ahead of the game and containing costs is critical to our operations. Poseidon has procured, at nominal cost, the Kambalda Junction mine haulage equipment which will be utilised to reduce costs and improve efficiency once ore production commences. Poseidon is utilising a Jumbo, 2 Toro Boggers, a 40 tonne truck and an Integrated Tool Carrier in its underground refurbishment operations.

Poseidon achieved a key milestone toward our goal of re-opening the Windarra project in March, when we formally commenced the rehabilitation of the Mt Windarra decline. This major program will require the removal of approximately 1.5 million tonnes of water and the refurbishment of some 4.4 kilometres of decline.

It is with great pride and an even greater sense of anticipation of what is to come that I reflect on the achievements of the last year.

Since the current Board and management team came together, your Company has been committed to one goal - the creation of a major Australian nickel producer of global significance.

From the start we have set our goals high: to produce 20,000 tonnes of nickel a year at the earliest opportunity. Accordingly, we have assembled a top class team that is totally focused on achieving our objectives. Everyone at Poseidon - from our Directors and management to every member of our dedicated workforce - is committed to making the historic Windarra Nickel Project the cornerstone of a world-class nickel business.

To that end, Windarra has provided the Company with a magnificent platform on which to build. In addition to being synonymous with the birth of the Australian nickel industry and one of WA's longest running nickel operations prior to its closure in 1991, Windarra is today still one of the biggest undeveloped nickel sulphide deposits in one mine in the region.

It is the quality of this resource and the scope to further extend it, which underpins Poseidon's excellent prospects.

Poseidon has achieved much in its first year since the Company was constituted in its current form.

Our first step was to launch a full time program of resource drilling on the tenements, a program which has continued uninterrupted ever since with up to four rigs in action at any one time. This enabled us to report our first JORC compliant resource statement in January, after reinterpreting and remodelling many years of manually logged WMC data with our own surface drill results. Less than 2 months later, we were able to announce we had increased JORC compliant resources by a further 35%.

At 60,370 tonnes of contained nickel, the current Windarra resource is already one of the largest individual nickel sulphide deposits in Australia that is not already being exploited. Surface drilling at Mt Windarra has now been completed after confirming that the orebody extends below a depth of 1,000 metres. The next phase of resource drilling at Mt Windarra will begin in the New Year from more cost-effective locations underground as rehabilitation of the existing decline is completed. In this work we will be using, for the very first time at Windarra, advanced electromagnetics to guide our drilling work. This is an extremely exciting development, as this technology has the potential to find additional nickel deposits close to the known resources that might have gone undetected. It is therefore with a great sense of optimism that we head into the next 12 months confident in our ability to keep adding to this already substantial resource.

The rehabilitation of over 4.4 kilometres of underground decline is now underway. Test rehabilitation was completed in May 2008 and progress ramped up in July 2008 with target completion early next year. The rehabilitation will open the way for underground resource drilling and mining.

Realising the potential

Poseidon achieved a key milestone toward our goal of re-opening the Windarra project in March, when we formally commenced the rehabilitation of the Mt Windarra decline. This major program will require the removal of approximately 1.5 million tonnes of water and the refurbishment of some 4.4 kilometres of decline, including the installation of new roof supports along its entire length. This work is now well underway after test work which was successfully completed some months earlier. As of 30 June 2008, the mine had been dewatered to a depth of 114.5 metres, out of the total depth of 550 metres.

Exploration by Poseidon is technology led using, for example, Down Hole Electromagnetics (DHEM) which was not available to Western Mining when the mine was previously explored. DHEM has helped Poseidon's geologists to identify previously hidden targets, opening up this highly prospective region. The Company also uses an XRF Niton gun for fast in field drill sample analysis which speeds our decision making and reduces assay costs.

All of the evidence from the refurbishment which has been completed to date, has demonstrated that the decline remains in very good condition, despite being underwater for so long. The steel supports seen so far will generally not need replacing and there is no evidence of significant rock falls in the main decline. As the rock bolting and steel mesh installation is completed section by section, more of the underground becomes secure and accessible to our mining and geology crews.

In addition to our resource drilling activities at the main Windarra orebody, we have also commenced a comprehensive program of exploration drilling within our extensive tenements in the region. We have previously indicated our confidence in finding a new resource on the Windarra tenements. Drilling at Denny Bore, 12 kilometres south of the Mt Windarra mine, has returned a number of high grade massive sulphide nickel intercepts. Though the orebody was initially intersected at a depth of 796 metres below surface, subsequent drilling has confirmed the mineralisation continues up-dip toward the surface as well as at depth. Subsequent to the end of the financial year, drilling had extended the Denny Bore mineralisation a further 280 metres vertically closer to surface. The Denny Bore mineralisation had been tracked over a total strike length of 480 metres, with the mineralised channel at least 150 metres wide and still open in three directions. This komatiite-hosted orebody is typical of Kambalda-style nickel deposits where mining widths average around 2 metres at typical grades of 2.2%-3.5% nickel. Our objective over the next few months is to continue defining the mineralisation, especially up-dip toward the surface, as we attempt to increase our confidence of confirming Denny Bore's potential to become a second operating mine at the Windarra Project.

Moving forward

With respect to engineering and technical preparation for the redevelopment of the main Windarra mine, the Company has successfully completed a detailed prefeasibility study for an initial 350,000 tonnes per annum processing plant and concentrator. Designed to produce approximately 4,000 tonnes of nickel in concentrate annually, the modular design of this processing plant was conceived with expansion in mind. Consequently, given our stated ambition and determination to go well beyond that initial production rate, we are now well into

a further prefeasibility study to determine the optimum route to achieving our overall output target of 20,000 tonnes of nickel metal. This study will evaluate not only the production of a nickel concentrate from massive sulphide mineralisation at Windarra, but also the options for taking the next step in the processing chain to unlock the significant additional value available by producing refined metal on-site. The study includes both batch and pilot scale testing, which is well underway at Lakefield Oretest. Poseidon has appointed Bateman Engineering to complete the study requirements including the development of detailed capital and operating costs. We anticipate that this additional prefeasibility work will be concluded at the end of 2008 and will form the basis of a future full feasibility.

Though volatile equity and credit markets have cast a cloud over the industry, they have also presented us with additional opportunities to add to the core resources of the Company. With that in mind, we have secured a number of additional project tenements close to Windarra, a trend I expect to continue. To date we have signed joint venture agreements with junior explorers Eagle Eye Metals Ltd and Proto Resources, giving us access to nickel prospective tenements relatively close to Windarra. In addition, Poseidon has negotiated nickel off-take agreements with respect to these tenements that will allow us to further build our nickel inventory. Poseidon's asset base, excellent prospects and robust development strategy was also reflected by our success in raising some $US50 million, in spite of overall market uncertainty. I believe the terms of this $US50 million Convertible Note issue were some of the best seen in Australia this year. The Convertible Note was issued to Harbinger Capital Partners in the USA at an approximate 25% premium to the then share price. Importantly the note is at 0% interest rate for the first 3 years and only 5% for the remaining 3 years. With the prospect of many of our peers finding difficulties as they seek to secure project funding in the current market, Harbinger's support for Poseidon speaks volumes for the dedication, commitment and quality of our people. Good people are the key differentiator in the end and they remain our most important asset.

Resource modelling is carried out by Poseidon's resource geologist Michael O'Mara who reinterpreted and remodelled 20 years of historic and current drill data to produce our maiden JORC compliant resource in January 2008. The orebody is one of Australia's largest undeveloped underground resources.

Long term strength

The past year has also been marked by a significant decline in nickel prices from the clearly unsustainable highs above $US50,000 a tonne reached in 2007 largely on the back of the unprecedented involvement of speculators.

Poseidon's partnership with Apex Drilling and others has seen uninterrupted drilling on the tenements throughout 2007 and 2008 and continues. To date Poseidon has drilled approximately 44,000 metres down to depths of up to 1,025 metres. The investment has led to JORC compliant resources and the discovery of potential new resources for future expansion.

Attaining these objectives will enable us to move to the next phase of establishing Poseidon as a major new Australian nickel company. Clearly the economic conditions over the next 12 months will play a role, but we believe in our vision and are determined to bring it to fruition.

Despite this decline, the Board and management of Poseidon remain confident about the long term strength of the nickel market, linked as it is to the ever developing use of steel both in the western world and the developing economies. The clear relationship between mineral prices and the unprecedented rate of development of these new economies, in particular China, remains unbroken. Although the long term prospects for metal markets remain strong due to the continued growth of these economies, it is inevitable that there will be bumps along the way. Importantly, the inexorable process of urbanization which sees 30 million people a year in China alone move from rural areas into the cities - in turn driving up demand for steel and concrete - continue to drive the long term need for nickel. A project the magnitude of Windarra must be focused on the long term and the long term outlook remains as strong as ever.

Looking to the future

Turning to Poseidon's financial position, the Company commenced the year with a $10.5 million cash surplus and raised $3.2 million through the issue of shares to Directors, A Forrest, Ventnor Capital and D Singleton and $15.7 million through the issue of the Convertible Note.

Receipt of the outstanding $US35 million due from the Convertible Note agreement is subject to shareholders approving the issue at Poseidon's next general meeting with the issue timing yet to be agreed between the parties.

The main area of expenditure was exploration, which enabled the Company to release the first JORC resource and to identify significant nickel intersections at Denny Bore. In the period the Company spent $7.6 million on drilling, assaying and other costs relating to exploration.

In addition, the Company incurred $5.5 million on commencing the dewatering and decline rehabilitation program and continuing the refurbishment of the mine site infrastructure in readiness for operational activity.

As at 30 June the Company's cash surplus (prior to the second Convertible Note of US$35 million) stood at $14.4 million, which will be used to:

- Complete the Windarra prefeasibility study and finalise options for achieving Poseidon's production target of 20,000 tonnes per annum of nickel;
- Progress regional exploration on the Company's tenements including its recent high grade intersections at Denny Bore;
- Complete the rehabilitation of the Windarra underground mine to enable further underground drilling to extend the Indicated resource and prepare for mining operations.

Attaining these objectives will enable us to move to the next phase of establishing Poseidon as a major new Australian nickel company. Clearly the economic conditions over the next 12 months will play a role, but we believe in our vision and are determined to bring it to fruition.

David Singleton

Chief Executive Officer

David Singleton was appointed Chief Executive Officer following the shareholder meeting on 2 July 2007. David was the CEO and MD of Clough Limited between August 2003 and January 2007. Prior to that he was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems (formally British Aerospace) in London and prior to that the CEO of Alenia Marconi Systems and was based in Rome, Italy.

Poseidon has completed the refurbishment of the many essential facilities on the site including the main office block. The building also houses part of the 34 person accommodation facilities and is the epicentre of the site's activities. The refurbishment across the site will save many millions of dollars in infrastructure investment over the next few years.

ANDREW FORREST

Non-executive Chairman

Andrew Forrest has been the Chief Executive Officer of the Fortescue Metals Group Ltd since July 2003 and has extensive experience in the mining sector, with specific expertise in major project finance. Fortescue has grown to its current market cap of over A$10 billion under his leadership, challenging the dominance of the multi-nationals in the Pilbara and constructing new port and railway systems in the process. In creating the company he lead the initial $400 million raising for feasibility studies and exploration, then $3.2 billion raised in 2006 to launch full construction and more recently $500 million to platform Fortescue for expansion. Mr Forrest is a long-standing fellow of the Australian Institute of Mining and Metallurgy.

RICHARD MONTI

Non-executive Director

Richard Monti is a highly experienced geologist and has previously worked with Andrew Forrest as General Manager Resources, and was later appointed as Head of Marketing of the Murrin Murrin Nickel Cobalt operation. In 2004 he founded Ventnor Capital Pty Ltd a consultancy which provides technical, marketing, corporate advisory and investment banking services to junior and mid-cap listed resource companies. He has gained broad experience over a 20 year career working in the technical, marketing and financial fields of the international exploration and mining industry. This experience includes exposure to a number of commodities including nickel, base metals, gold, coal, iron-ore, tin-tantalum, platinum group metals and industrial and heavy minerals.

CHRIS INDERMAUR

Non-executive Director

Chris Indermaur has over 25 years of experience in large Australian companies in engineering or commercial roles. Amongst these roles he was the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for strategy and development at Alinta Ltd. Chris holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University) and is a Fellow of the Institution of Engineers. Chris also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University. Chris has resigned from the Poseidon Board effective 30th September 2008, in order to take up a full time executive role in another company.

GEOFF BRAYSHAW

Non-executive Director

Geoff Brayshaw 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. Geoff is a Fellow of the Institute of Chartered Accountants in Australia, and an associate member of the AICD. He was National President of the ICAA in 2002. He is a Non-executive Director and Chairman of the audit committee of Fortescue Metals Group Limited and Fortron Insurance Group Limited and a member of the Board of the Small Business Development Corporation.

ROBERT DENNIS

Chief Operating Officer

Rob Dennis is a mining engineer with 35 years experience in the nickel, copper, gold and alumina industries. In his former role as COO Aditya Birla Minerals Ltd, he managed the expansion and development of the Nifty Copper Sulphide Project in Western Australia and the Mt Gordon operation in 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 Windarra Nickel Project as underground mine manager from 1980-1986.

NEIL HUTCHISON

General Manager - Geology

Neil is a highly experienced exploration geologist, the former exploration superintendent at the Cosmos Nickel Project with Jubilee Mines, and previously a senior geologist with Troy Resources. He has over 15 years experience in the mining industry, where he gained a working knowledge and the practical experience to explore for nickel and gold. Neil has worked throughout the goldfields region of Western Australia, as well as the Northern Territory, Queensland and Mongolia. Neil spent 5 years with Jubilee Mines conducting regional exploration, project reviews and evaluations, as well as managing the nickel exploration group at the highly successful Cosmos Nickel Project. During his time at Jubilee Mines, Neil developed a solid understanding of the nickel and ultramafic forming processes and the associated modern exploration techniques required to explore the Windarra Nickel Project. He has strong management skills and has drawn together an outstanding exploration team, which is supported by a strong network of reputable contractors and service providers.

GARETH JONES

Financial Controller

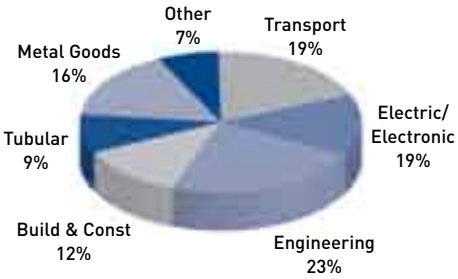
Gareth has over 20 years experience in accounting and commercial roles and specialises in business performance and project management. He has held a variety of senior commercial and management positions, including Head of Commercial for British Gas Business in the UK and Commercial Manager at Vodafone UK. Gareth is a Fellow of the Association of Chartered Certified Accountants and has an MBA from the University of Warwick.

MICHAEL RODRIGUEZ

Operations Director

Michael is a metallurgical engineer with over 25 years experience in the mining and minerals processing industry. During his career he has worked at several major facilities throughout Australia including Olympic Dam Operations, Kwinana Nickel Refinery and Murrin Murrin Operations. In operations Michael 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 plants. During his tenure at Western Mining Corporation (WMC) he gained extensive knowledge of the mining, concentrating, smelting and refining of nickel sulphides and he gained broad experience in the commercialisation of disseminated and massive nickel sulphides. Whilst at Murrin Murrin Operations Michael held senior positions as Operations Manager, Projects Manager, Technical Services Manager and Corporate Strategic Development Manager. He was responsible for the development of their heap leach technology and the management and execution of the significant Research & Development program concluding with the successful demonstration of the technology at Murrin Murrin. As the inventor and author of a number of Australian and overseas patent applications and widely published technical papers Michael is well known in the industry.

Primary Nickel End Uses 2006:
1,400,000 tonnes



"Tubular" covers items used in other sectors - particularly building, construction and engineering. "Others" includes batteries, chemicals and catalysts.

Nickel is undoubtedly the quiet achiever of our times. Its role and the value it brings are largely unrecognised, yet its benefits can be found in many of the everyday products with which we are familiar. About 60% of annual nickel production is used in stainless steel and more than 70% of the tonnage of stainless steel produced in 2007 contained nickel. It increases the versatility of stainless steels by contributing to their fabricability, corrosion resistance, low temperature toughness, high-temperature strength and appearance.

Nickel-containing stainless steels and other materials are often the first choice in applications as diverse as: food and beverage preparation and storage; drinking water treatment and distribution; medical equipment and pharmaceutical production; buildings and infrastructure; energy production and storage; environmental protection; transport; and chemical production. Nickel's unique combination of properties enables it to contribute to a wide range of durable, cost-effective, recyclable engineering solutions. For example, it is the strength of nickel alloys when red hot (stronger than many materials at room temperature) that enables the gas turbines used for aircraft engines and power generation to be so fuel-efficient. Similar alloys are used in automotive turbochargers and heating elements in domestic cookers.

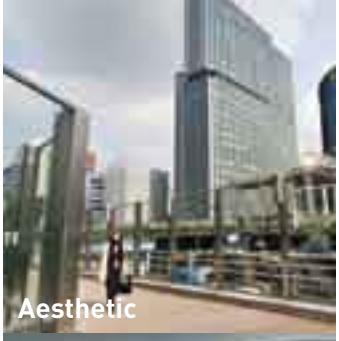
There are many demanding applications in oil and gas production, petrochemical refining, and chemical manufacturing where the strength and corrosion resistance of nickel-containing materials provide high integrity, long-lasting, cost-effective solutions. Whether it's nickel metal or nickel chemicals, nickel-containing materials have often been critical to the successful and efficient

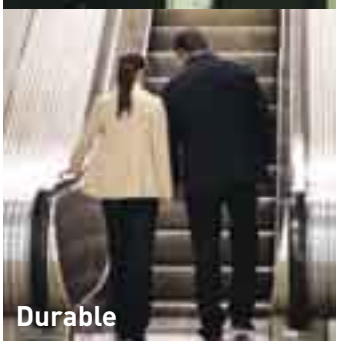
application of innovative technologies. Thus the low expansion nickel-iron alloys have successfully contributed to the performance of precision clocks, electronic chips, colour television tubes, liquid natural gas tankers, and the manufacture of carbon composites for aircraft. Nickel electroplating has been the essential undercoat for chromium and other decorative finishes; it has produced moulds for pressing CDs, DVDs and security holograms, and provided the screens for printing textiles.

"It is nickel's unique combination of properties which enable it to contribute to such a wide range of durable, cost effective, recyclable engineering solutions."

Stephen Barnett, President of the Nickel Institute

Today, nickel-containing batteries have made possible lightweight, portable power tools and communication devices. They are central to the current development of hybrid vehicles. Recycling and nickel go hand-in-hand. About 690,000 tonnes of nickel, or 33% of total nickel use, were satisfied by recycling end-of-life products, which contain valuable nickel and is readily recycled. It is mainly because nickel-containing products last for a long time and there has been strong growth in the market for nickel that the percentage is not higher. By contributing to the efficient manufacture and operation of a wide range of products, nickel will continue to add value to society, demand for it will continue to grow, and it will make further contributions towards sustainable and innovative development.





Nickel INSTITUTE
knowledge for a brighter future

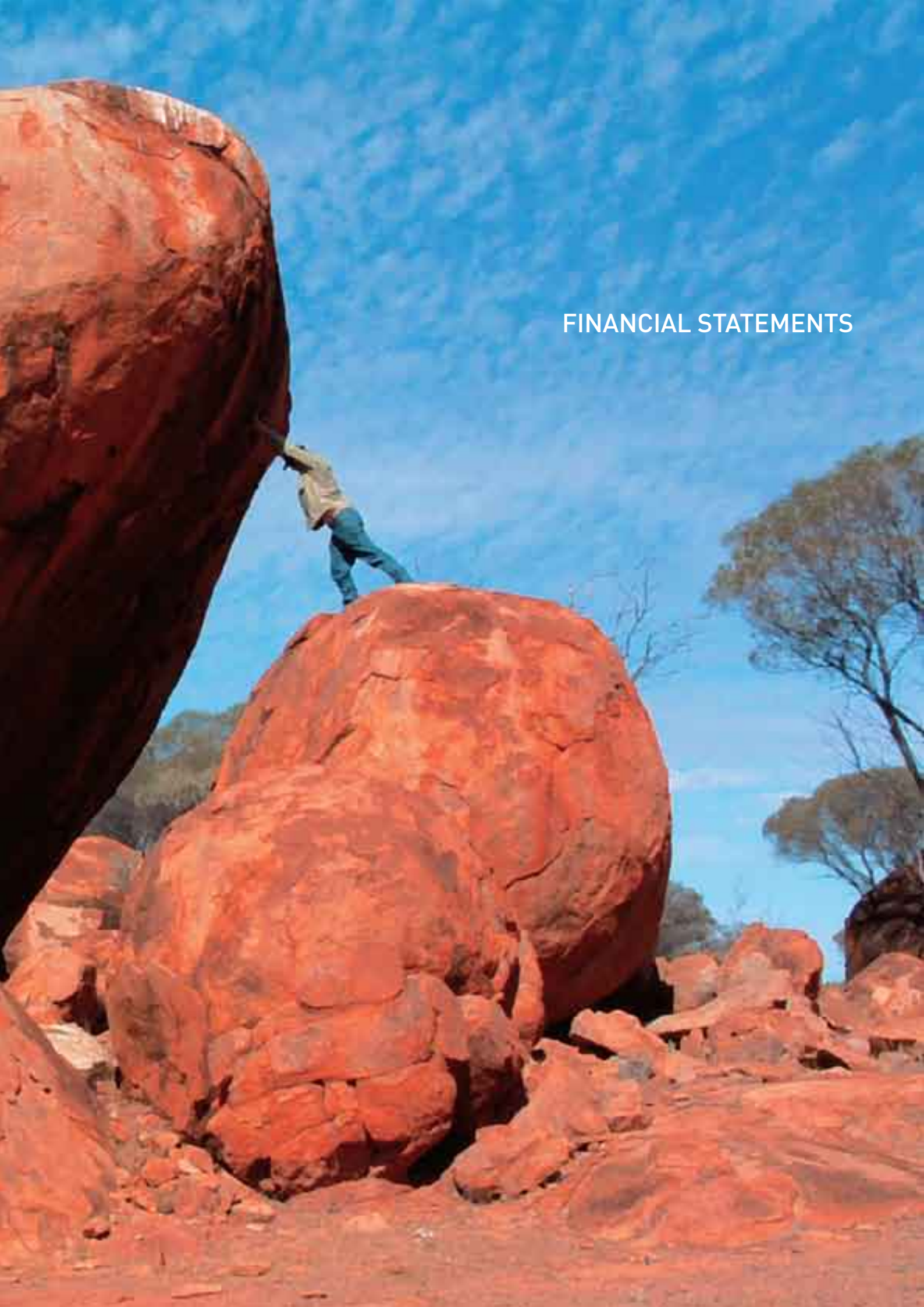
Data kindly provided by the Nickel Institute.
For further information visit **www.nickelinstitute.org**

Poseidon has over the past year transferred 20 years of mine and drill data into modern computer based systems such as Datashed and Micromine. The monumental task is now 90% complete and everyday reduces costs through the efficient use of historically available data. This reinterpretation of data has led to new geological insights which will be followed up by a drilling program in late 2008.

Poseidon's Chief Operating Officer, Rob Dennis (left) was the mine's underground manager at Windarra between 1980 and 1986 and now leads the underground and operations at the mine site. Colin Woolard (right) worked on environmental rehabilitation when the mine ceased production and is now supporting Poseidon's environmental management plan as the site reawakens.

Neil Hutchison leads a dedicated team of Poseidon geologists focused on resource definition and expansion at Mt Windarra. In just 12 months, the team has discovered and interpreted a new nickel deposit at Denny Bore just a short distance from the Mt Windarra operation.

Poseidon has completed a broad and extensive range of process testing led by Michael Rodriguez. The innovative regime includes continuous pilot testing at scale and is intended to maximise the economic potential of the Company's resources as we strive to meet an output target of 20,000 tonnes of nickel as a metal.



FINANCIAL STATEMENTS

Director's Report

For the year ended 30 June 2008

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

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1. Directors

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

Name and independence status	Age	Experience, qualifications, special responsibilities and other directorships
Mr Andrew Forrest **Chairman & Non-Executive Director** Appointed 2 July 2007	46	Mr Forrest was elected as Non-Executive Chairman of Poseidon Nickel Ltd at its General Meeting of Shareholders on 2 July 2007. He has been Chief Executive Officer of the Fortescue Metals Group Ltd ("FMG") since July 2003 and was Interim Chairman from then until May 2005. Mr Forrest is Chairman of the Australian Children's Trust. His previous roles include Chief Executive Officer and Deputy Chairman of Anaconda Nickel Limited (now Minara Resources Ltd), Chairman of the Murrin Murrin Joint Venture, Non-Executive Chairman of Moly Mines Ltd, Non-Executive Chairman of Arafura Pearls Ltd, Non-Executive Director of Sibera Mining Corporation Limited (now Monarch Gold Ltd), Director of the West Australian Chamber of Minerals and Energy and Chairman of Athletics Australia. Mr Forrest has extensive experience in the mining sector with specialist expertise in major project finance and is a long-standing fellow of the Australian Institute of Mining and Metallurgy.
Mr Christopher Indermaur **Non-Executive Director** *Member of:* • Audit & Risk Management Committee *Chairman of:* • Remuneration & Nominations Committee • Corporate Governance Committee Appointed 2 July 2007 Resigned effective from 30 September 2008	50	Mr Indermaur has over 25 years of experience in large Australian companies in Engineering or Commercial roles. Amongst these roles he was the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd. Mr Indermaur holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University) and is a Fellow of the Institution of Engineers. Chris also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University.
Mr Richard Monti **Non-Executive Director** *Member of:* • Audit & Risk Management Committee • Remuneration & Nominations Committee • Corporate Governance Committee Appointed 4 April 2007	44	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 year career working in the technical, marketing and financial fields of the international exploration and mining industry. This experience includes exposure to a number of commodities including nickel, base metals, gold, coal, iron-ore, tin-tantalum, platinum group metals and industrial and heavy minerals. Mr Monti led the team that built a 1.8 billion tonne resource base of nickel and cobalt through efficient and innovated resource definition and low-cost acquisition programmes. He also generated the iron ore project for FMG in the Pilbara region which has developed into a 2 billion tonne iron ore resource.

1. Directors (cont.)

Name and independence status	Age	Experience, qualifications, special responsibilities and other directorships
Mr Richard Monti (cont.)	44	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. Three years ago he founded Ventnor Capital Pty Ltd a consultancy which provides technical, marketing, corporate advisory and investment banking services to junior and mid-cap listed resource companies. Mr Monti is also a Director of Transit Holdings Ltd, Whinnen Resources Ltd and Bathurst Resources Ltd and has previously held positions on the boards of a number of Australian Stock Exchange listed and private mining companies including Peninsula Minerals Ltd and Grand Gulf Energy Ltd.
Mr David Singleton **Managing Director & Chief Executive Officer** *Member of:* • Corporate Governance Committee Appointed 1 February 2008	48	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 and was formerly a director of PT Petrosea Tbk. Mr Singleton was appointed as Chief Executive Officer on 2 July 2007.
Mr Geoff Brayshaw **Non-Executive Director** *Member of:* • Remuneration & Nominations Committee • Corporate Governance Committee *Chairman of:* • Audit & Risk Management Committee Appointed 1 February 2008	58	Mr Brayshaw was formerly an audit partner with the Perth firm of BDO Kendalls, having been in practice for some 35 years. He has also held a number of positions in commerce and professional bodies including national president of the Institute of Chartered Accountants of Australia in 2002. He is a director of a number of public and private companies, including independent director and audit committee chairman of both Fortescue Metals Group Limited and Fortron Insurance Group Limited. He also sits on the board of the Small Business Development Corporation.
Mr Douglas Daws **Executive Director** *Resigned 2 July 2007*	65	
Mr Christopher Daws **Executive Director** *Resigned 2 July 2007*	35	

2. Company Secretary

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

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

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

3. Directors' Meetings

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

	BOARD MEETINGS		AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS		REMUNERATION AND NOMINATION COMMITTEE MEETINGS		CORPORATE GOVERNANCE COMMITTEE MEETINGS	
Director	A	B	A	B	A	B	A	B
Mr A Forrest	6	7	-	-	-	-	-	-
Mr C Indermaur	7	7	5	5	5	5	5	5
Mr R Monti	7	7	5	5	5	5	5	5
Mr D Singleton	2	2	-	-	-	-	2	2
Mr G Brayshaw	2	2	2	2	2	2	2	2
Mr D Daws	1	1	-	-	-	-	-	-
Mr C Daws	1	1	-	-	-	-	-	-

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

4. Principal activities

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

5. Consolidated results

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

6. Review of operations

Windarra Nickel Project

Overview

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

6. Review of Operations (cont.)

Overview (cont.)

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

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

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

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

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

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

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

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

Underground operations

Dewatering of the underground mine commenced in February 2008 at an initial pumping rate of 4,000 kilolitres (kl) per day, in an operation that is expected to take around 12 months to complete and will remove an estimated 1.5 million tonnes of water.

The removal of the water will allow access to the nickel ore bodies and for underground resource drilling of the deeper ores. The mine dewatering programme was made possible after an exhaustive process of permit approval covering environmental control and necessary works approval. The Company carries out environmental monitoring including equipment integrity, water quality and regular inspection at the water outflow point. The Company will shortly upgrade the pumping system with pumps able to lift water from 300 meters underground at a rate of nearly 6,500 kl per day.

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

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

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

Exploration

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

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

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

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

Inferred Resource: cut-off grade of 1.0% Ni using IDW² block modelling.

Indicated Resource: cut-off grade of 0.75% Ni using IDW² block modelling.

6. Review of Operations (cont.)

Exploration (cont.)

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

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

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

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

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

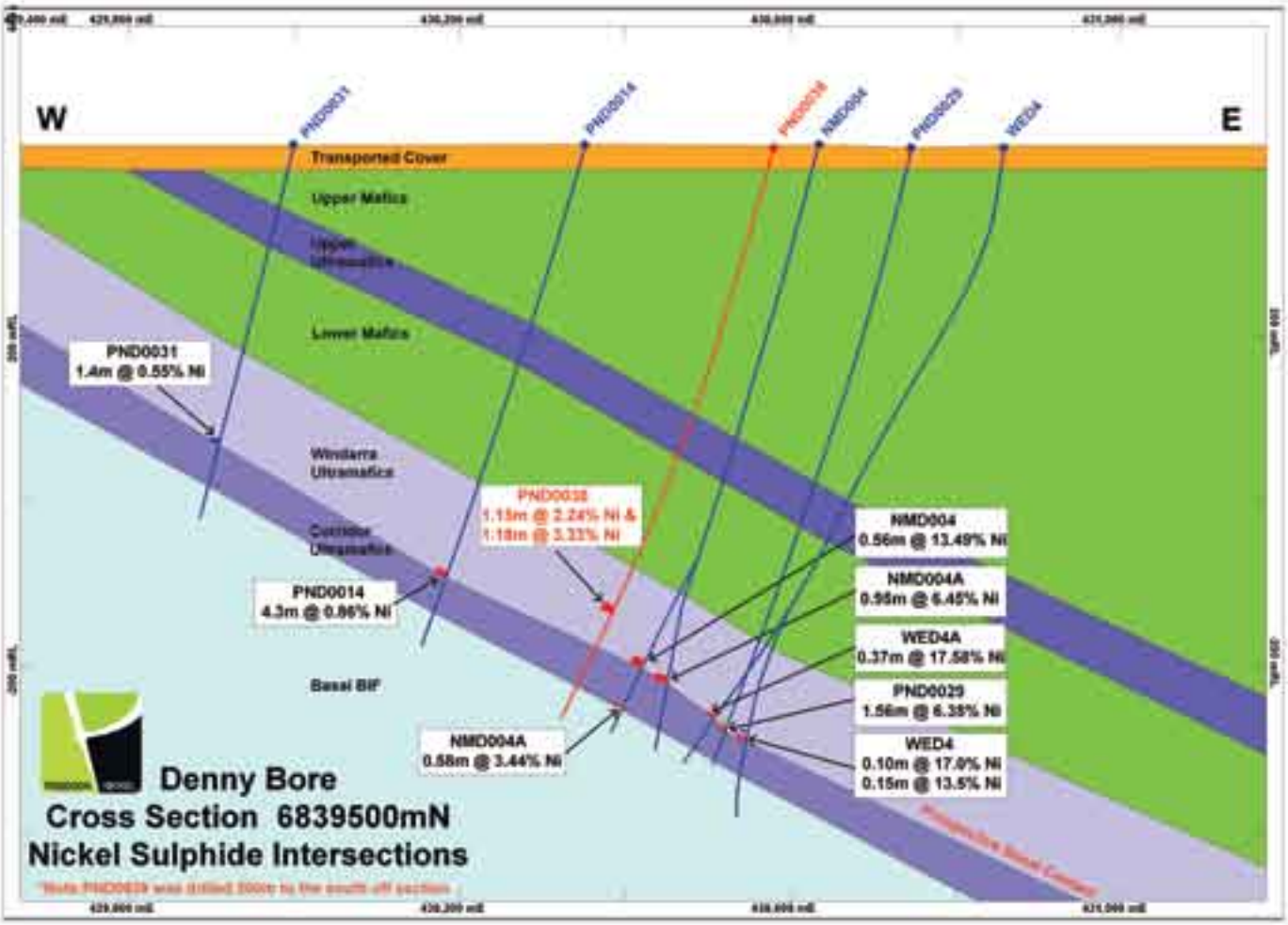


Figure 1: Cross Section showing the geological sequence that hosts the nickeliferous lava channel and the high grade nickel intersection.

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

6. Review of Operations (cont.)

Exploration (cont.)

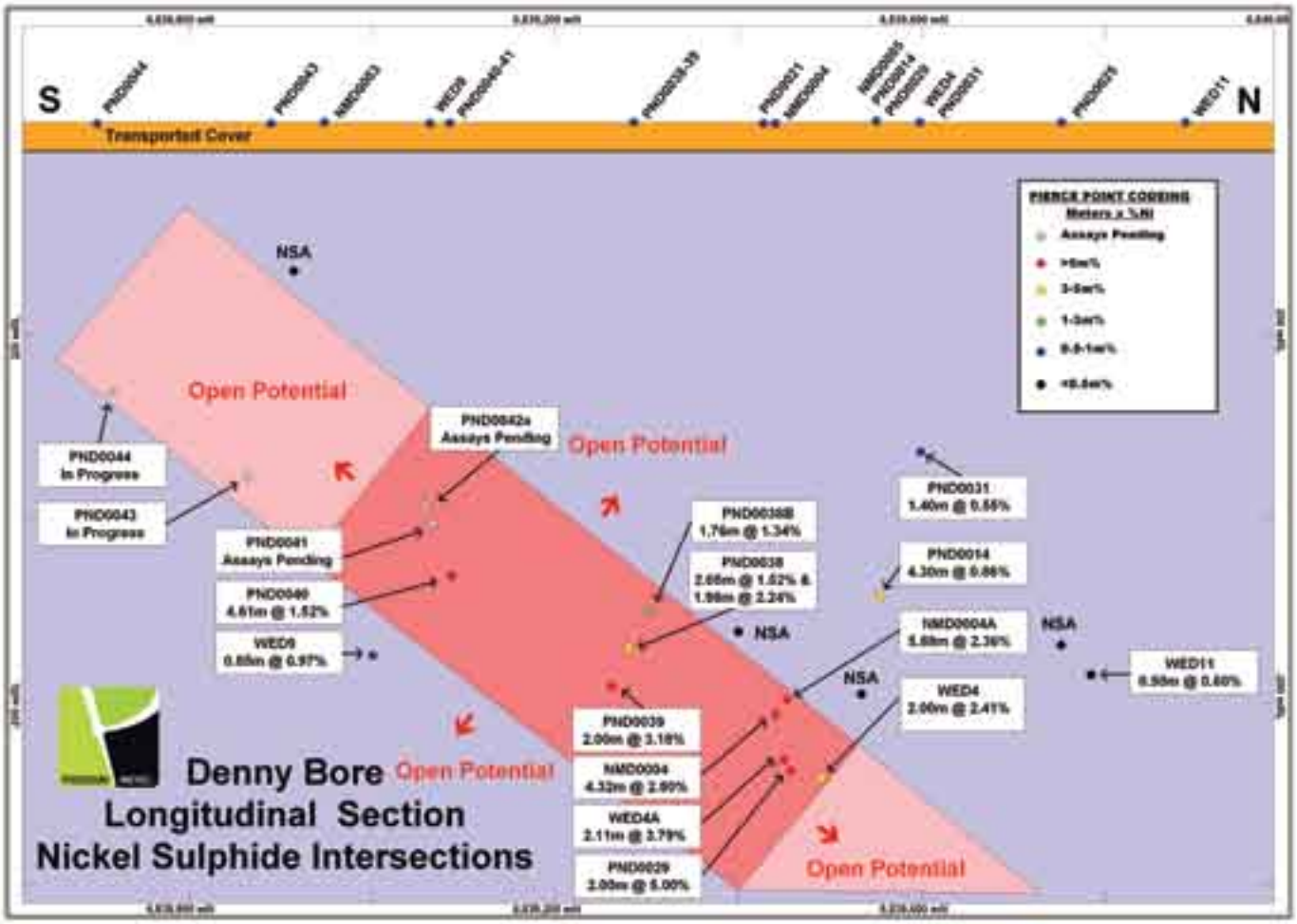


Figure 2: Long Section showing the interpretation of the nickeliferous lava channel and the drill hole pierce points with typical bulked out mining width nickel intersection calculations.

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

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

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

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

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

6. Review of Operations (cont.)

Exploration (cont.)

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

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

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

7. Corporate Governance Statement

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

7.1 Corporate Governance Disclosure

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

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

7.2 Structure of the Board

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

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

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

Name	Position
Mr A Forrest	Non-Executive Chairman
Mr C Indermaur	Non-Executive Director
Mr R Mont	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	No contract
Mr C Indermaur	No contract
Mr R Monti	No contract
Mr D Singleton	5 years
Mr G Brayshaw	No contract

7.3 Remuneration and Nominations Committee

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

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

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

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

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

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

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

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

7.4 Remuneration report - audited

7.4.1 Principles of compensation - audited

Remuneration is referred to as compensation throughout this report.

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

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

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

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

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

Fixed compensation

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

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

Performance linked compensation

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

Incentive bonus

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

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

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

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

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

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

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

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

Consequences of performance on shareholder wealth

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

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

7.4 Remuneration report - audited (cont.)

7.4.1 Principles of compensation - audited (cont.)

Service contracts

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

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

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

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

Non-executive directors

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

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

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

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

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

7.4 Remuneration report - audited (cont.)

7.4.2 Directors' and executive officers' remuneration (Company and Consolidated) - audited (cont.)

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

(A) *Mr G Brayshaw has elected to receive non-executive director fees as shares in lieu of cash under the terms of the DSP. As the election is subject to shareholder approval at a General Meeting, the fees for the period have been disclosed as "Salary & fees".

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

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

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

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

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

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

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

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

Details of performance related remuneration

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

7.4.3 Equity instruments

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

Options and rights over equity instruments granted as compensation - audited

Options

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

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

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

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

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

7.4 Remuneration report - audited (cont.)

7.4.3 Equity instruments (cont.)

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

Shares

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

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

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

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

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

Hybrids

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

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

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

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

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

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

7.4 Remuneration report - audited (cont.)

7.4.3 Equity instruments (cont.)

Exercise of options granted as compensation - audited

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

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

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

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

Options

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

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

Shares

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

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

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

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

7.4 Remuneration report - audited (cont.)

7.4.3 Equity instruments (cont.)

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

Hybrids

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

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

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

Analysis of movements in options - audited

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

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

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

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

There were no options forfeited in the financial year.

7.5 Audit and Risk Management Committee

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

7.6 Best Practice Recommendation

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

Corporate Governance Policy	Action taken and reasons if not adopted
Recognise and publish the respective roles and *responsibilities of the board and management* *Principle 1: Lay solid foundation for management and oversight* 1.1 Formalise and disclose the functions reserved to the Board and those delegated to management	Adopted
Have a board of an effective composition, size and commitment to adequately discharge its responsibilities *and duties* *Principle 2: Structure the board to add value* 2.1 A majority of the Board should be independent	Adopted
2.2 The chairperson should be an independent director	Adopted
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual	Adopted
2.4 The board should establish a nomination committee	Adopted
2.5 Provide the information indicated in 'Guide to reporting on Principle 2'	Adopted
Actively promote ethical and responsible decision-making *Principle 3: Promote ethical and responsible decision-making* 3.1 Establish a code of conduct to guide the directors, the managing director (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity; and 3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices	Adopted
3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees	Adopted
3.3 Provide the information indicated in 'Guide to Reporting on Principle 3'	Adopted
Have a structure in place to independently verify and safeguard the integrity of the Company's financial *reporting* *Principle 4: Safeguard integrity in financial reporting* 4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards	Adopted
4.2 The Board should establish an audit committee	Adopted

Corporate Governance Policy	Action taken and reasons if not adopted
4.3 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	Adopted
4.4 The Audit Committee should have a formal operating charter	Adopted
4.5 Provide the information indicated in the 'Guide to reporting on Principle 4'	Adopted
Promote timely and balanced disclosure of all material *matters concerning the Company* *Principle 5: Make timely and balanced disclosure* 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	Adopted
5.2 Provide the information indicated in the 'Guide to reporting on Principle 5'	Adopted
Respect the rights of shareholders and facilitate the *effectiveness of those rights* *Principle 6: Respect the rights of shareholders* 6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	Adopted
6.2 Request the external audit to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report	Adopted
Establish a sound system of risk oversight and *management and internal control* *Principle 7: Recognise and manage risk* 7.1 The Board or appropriate Board committee should establish policies on risk oversight and management	Adopted
7.2 The managing director (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board 7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	Adopted
7.3 Provide the information indicated in the 'Guide to reporting on Principle 7'	Adopted

Corporate Governance Policy	Action taken and reasons if not adopted
Fairly review and actively encourage enhanced board and *management effectiveness* *Principle 8: Encourage enhanced performance* 8.1 Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives	Adopted
Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to *corporate and individual performance is defined* *Principle 9: Remunerate fairly and responsibly* 9.1 Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the cost and benefits of these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance	Adopted
9.2 The Board should establish a remuneration committee	Adopted
9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives	Adopted
9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	Adopted
Recognise the legal and other obligations of all *legitimate stakeholders* *Principle 10: Recognise the legitimate interest of stakeholders* 10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	Adopted

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

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

8. Dividends

The Directors recommend that no dividend be declared or paid.

9. Events subsequent to reporting date

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

10. Directors' interests

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

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

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

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

11. Share options

Options granted to directors and officers of the Company

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

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

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

11. Share options (cont.)

Unissued shares under options

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

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

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

Shares issued on exercise of options

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

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

12. Indemnification and insurance of officers and auditors

Insurance premiums

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

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

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

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and

- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

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

13. Non-audit services

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

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

	CONSOLIDATED	
	2008 $	2007 $
Audit services:		
Auditors of the Company:		
audit and review of financial reports (KPMG Australia)	29,650	-
	29,650	-
Other auditors:		
audit and review of financial reports (non-KPMG firms)	6,235	24,125
	6,235	24,125

There were no other services other than statutory audit.

14. Lead auditor's independence declaration

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

15. Rounding off

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

This report is made with a resolution of the directors:

Mr G Brayshaw
Director

Perth, 25 September 2008

Income Statements

For the year ended 30 June 2008

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

The notes on pages 54 to 96 are an integral part of these consolidated financial statements.

Statements of Changes in Equity

For the year ended 30 June 2008

CONSOLIDATED

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

COMPANY

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

The notes on pages 54 to 96 are an integral part of these consolidated financial statements.

Balance Sheets

For the year ended 30 June 2008

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

The notes on pages 54 to 96 are an integral part of these consolidated financial statements.

Statements of Cash Flows

For the year ended 30 June 2008

In thousands of AUD	Note	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
Cash flows from operating activities					
Sundry receipts		308	133	308	133
Payments to suppliers and employees		(2,877)	(1,971)	(2,877)	(1,910)
Cash generated from operations		(2,569)	(1,838)	(2,569)	(1,777)
Interest received		517	305	517	305
Net cash from operating activities	17b	(2,052)	(1,533)	(2,052)	(1,472)
Cash flows from investing activities					
Payments for property, plant and equipment		(1,105)	(426)	(1,105)	(426)
Payments for exploration expenditure		(13,072)	(7,186)	(13,072)	(7,153)
Proceeds from sale of exploration assets		-	64	-	64
Proceeds from sale of investments		262	530	262	530
Loans to related parties		-	(5)	-	(111)
Repayment of loans by related parties		6	-	18	-
Repayment of loans by other entities		915	-	915	-
Other - security deposits (environmental/rental bonds)		-	(3,523)	-	(3,523)
Net cash from investing activities		(12,994)	(10,546)	(12,982)	(10,619)
Cash flows from financing activities					
Proceeds from the issue of shares and options		3,188	19,735	3,188	19,735
Proceeds from the issue of convertible notes		15,730	-	15,730	-
Proceeds from borrowings		227	156	227	156
Payment of finance lease liabilities		(46)	(7)	(46)	(7)
Payment of transaction costs		(62)	(446)	(62)	(446)
Net cash from financing activities		19,037	19,438	19,037	19,438
Net increase in cash and cash equivalents		3,991	7,359	4,003	7,347
Cash and cash equivalents at 1 July		10,485	3,126	10,473	3,126
Effect of exchange rate fluctuations on cash held		(111)	-	(111)	-
Cash and cash equivalents at 30 June	17a	14,365	10,485	14,365	10,473

The notes on pages 54 to 96 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 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled operations.

2. Basis of preparation

(a) Statement of compliance

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

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

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Significant accounting policies

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

(a) Basis of consolidation

Subsidiaries

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

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

Jointly controlled operating assets

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

Transactions eliminated on consolidation

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

(b) Foreign currency transactions

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

(c) Financial instruments

Non-derivative financial instruments

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

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

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

3. Significant accounting policies (cont.)

(c) Financial instruments (cont.)

Non-derivative financial instruments (cont.)

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

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

Available-for-sale financial assets

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

Investments at fair value through profit or loss

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

Other

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

Convertible Note Liability and Derivative

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

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

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

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

Share capital

Ordinary shares

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

(d) Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent costs

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

Depreciation

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

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

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

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

(e) Exploration and evaluation expenditure

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

Exploration and evaluation activity includes:

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

3. Significant accounting policies (cont.)

(e) Exploration and evaluation expenditure (cont.)

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

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

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

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

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

(f) Leased assets

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

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

(g) Impairment

Financial assets

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

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

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

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

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

Non-financial assets

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

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

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

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

(h) Employee benefits

Termination benefits

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

Short-term benefits

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

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

Share-based payment transactions

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

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

3. Significant accounting policies (cont.)

(i) Provisions

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

The Group has made a provision of $3,500,000 as assessed by the Department of Industry and Resources (DOIR), in recognition of an on-going commitment to the environmental rehabilitation of the Windarra mine site.

(j) Lease payments

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

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

(k) Finance income and expenses

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

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

(l) Income tax

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

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

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

(m) Goods and services tax

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

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

(n) Discontinued operations

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

(o) Earnings per share

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

(p) Segment reporting

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

(q) New standards and interpretations not yet adopted

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

- Revised AASB 3 *Business Combinations* and amending standard AASB 2008-3 changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 8 *Operating Segments* and amending standard AASB 2007-3 introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 5).

3. Significant accounting policies (cont.)

(q) New standards and interpretations not yet adopted (cont.)

- Revised AASB 101 *Presentation of Financial Statements* and amending standard AASB 2007-8 introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 *Borrowing Costs* and amending standard AASB 2007-6 removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* and amending standard AASB 2008-3 changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/ retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.
- As part of the annual improvement project, amending standards AASB 2008-5 and AASB 2008-6 have been issued and are mandatory for financial years ending 31 December 2009 and 30 June 2010 respectively. The Group has not yet determined the potential effects of the revised standards on the consolidated financial report.

4. Determination of fair values

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

(a) Convertible Note Derivatives

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

(b) Non-derivative financial liabilities

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

(c) Share-based payment transactions

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

5. Segment reporting

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

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

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

Business segments

The Group comprises the following main business segments:

- Exploration
- Winery Leasehold

Geographical segments

The Group operates predominately in Australia.

5. Segment reporting (cont.)

Business segments

In thousands of AUD	EXPLORATION 2008	EXPLORATION 2007	WINERY LEASEHOLD 2008	WINERY LEASEHOLD 2007	UNALLOCATED 2008	UNALLOCATED 2007	CONSOLIDATED 2008	CONSOLIDATED 2007	LESS WINE AND OTHER OPERATIONS (DISCONTINUED) 2008	LESS WINE AND OTHER OPERATIONS (DISCONTINUED) 2007	CONTINUING OPERATIONS 2008	CONTINUING OPERATIONS 2007
Total external revenues	-	-	-	-	-	-	-	-	-	-	-	-
Intersegment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Segment result	(2,704)	(4,231)	-	(67)	(245,344)	(3,554)	(248,048)	(7,852)	-	303	(248,048)	(7,549)
Unallocated expenses							-	-	-	-	-	-
Results from operating activities							(248,048)	(7,852)	-	303	(248,048)	(7,549)
Net finance costs							(8,047)	306	-	-	(8,047)	306
Income tax expense							-	-	-	-	-	-
Loss for the period							(256,095)	(7,546)	-	303	(256,095)	(7,243)

In thousands of AUD	EXPLORATION 2008	EXPLORATION 2007	WINERY LEASEHOLD 2008	WINERY LEASEHOLD 2007	UNALLOCATED 2008	UNALLOCATED 2007	CONSOLIDATED 2008	CONSOLIDATED 2007
Segment assets	37,306	17,301	-	12	14,935	16,241	52,241	33,554
Unallocated assets							-	-
Total assets							52,241	33,554
Segment liabilities	(5,358)	(1,226)	-	-	(24,914)	(836)	(30,272)	(2,062)
Unallocated liabilities							-	-
Total liabilities							(30,272)	(2,062)
Capital expenditure	16,322	4,326	-	-	95	17	16,417	4,343
Depreciation	(202)	(22)	-	-	(41)	(23)	(243)	(45)
Amortisation of intangible assets	-	-	-	-	-	-	-	-
Impairment losses on intangible assets and property, plant and equipment	-	-	-	-	-	-	-	-
Impairment losses reversed on intangible assets and property, plant and equipment	-	-	-	-	-	-	-	-

6. Discontinued operation

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

Profits attributable to the discontinued operation were as follows:

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

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

7. Other Income

	CONSOLIDATED		COMPANY	
In thousands of AUD	2008	2007	2008	2007
Rent	34	29	34	29
Sundry income	11	1	11	1
Other income	202	228	215	228
Net gain on sale of exploration assets	-	64	-	64
Net gain on sale of investments	3	14	3	14
	250	336	262	336

8. Personnel expenses

In thousands of AUD	Note	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
Wages and salaries		978	335	978	335
Other associated personnel expenses		440	163	440	163
Increase in liability for annual leave	22	81	(30)	81	(30)
		1,499	468	1,499	468

9. Finance income and expense

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

10. Income tax expense

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

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

11. Property, plant and equipment

	CONSOLIDATED					COMPANY				
In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total
Cost or deemed cost										
Balance at 1 July 2006	-	81	-	-	81	-	81	-	-	81
Additions	-	17	261	146	424	-	17	261	146	424
Disposals	-	(55)	-	-	(55)	-	(55)	-	-	(55)
Balance at 30 June 2007	-	43	261	146	450	-	43	261	146	450
Balance at 1 July 2007	-	43	261	146	450	-	43	261	146	450
Additions	342	65	599	99	1,105	342	65	599	99	1,105
Transfers	608	30	-	-	638	608	30	-	-	638
Disposals	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2008	950	138	860	245	2,193	950	138	860	245	2,193

	CONSOLIDATED					COMPANY				
In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total
Depreciation and impairment losses										
Balance at 1 July 2006	-	25	-	-	25	-	25	-	-	25
Depreciation for the year	-	23	12	10	45	-	23	12	10	45
Disposals	-	(24)	-	-	(24)	-	(24)	-	-	(24)
Balance at 30 June 2007	-	24	12	10	46	-	24	12	10	46
Balance at 1 July 2007	-	24	12	10	46	-	24	12	10	46
Depreciation for the year	29	41	129	44	243	29	41	129	44	243
Disposals	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2008	29	65	141	54	289	29	65	141	54	289

Carrying amounts

	CONSOLIDATED					COMPANY				
In thousands of AUD	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total	Leasehold improvements	Plant and equipment	Plant and equipment - mining	Motor vehicles - mining	Total
At 1 July 2006	-	56	-	-	56	-	56	-	-	56
At 30 June 2007	-	18	249	136	403	-	18	249	136	403
At 1 July 2007	-	18	249	136	403	-	18	249	136	403
At 30 June 2008	921	73	719	191	1,904	921	73	719	191	1,904

12. Exploration and evaluation expenditure

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

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

13. Other investments

	CONSOLIDATED		COMPANY	
In thousands of AUD	2008	2007	2008	2007
Non-current investments				
Available-for-sale financial assets	-	311	-	311
	-	311	-	311

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

14. Other non-current assets

	CONSOLIDATED		COMPANY	
In thousands of AUD	2008	2007	2008	2007
Security deposit - environmental bond	3,500	3,500	3,500	3,500
	3,500	3,500	3,500	3,500

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

15. Deferred tax assets and liabilities

Unrecognised deferred tax assets and liabilities

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

	CONSOLIDATED		COMPANY	
In thousands of AUD	2008	2007	2008	2007
Taxable temporary differences	(3,753)	(1,304)	(3,753)	(1,304)
Deductible temporary differences	1,457	435	1,457	435
Tax losses	5,393	3,107	5,393	2,907
	3,097	2,238	3,097	2,038

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

Recognised deferred tax assets and liabilities

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

Movement in unrecognised deferred assets and liabilities during the year

	Balance 1 July 2006	Additions	Balance 30 June 2007	Additions	Balance 30 June 2008
Consolidated					
Exploration and evaluation expenditure	(778)	(457)	(1,235)	(1,468)	(2,703)
Available-for-sale financial assets	(256)	187	(69)	69	-
Loans and borrowings	-	-	-	15	15
Other items	-	435	435	(43)	392
Tax loss carry-forwards	1,554	1,553	3,107	2,286	5,393
	520	1,718	2,238	859	3,097
Company					
Exploration and evaluation expenditure	(778)	(457)	(1,235)	(1,468)	(2,703)
Available-for-sale financial assets	(256)	187	(69)	69	-
Loans and borrowings	-	-	-	15	15
Other items	-	435	435	(43)	392
Tax loss carry-forwards	1,383	1,553	2,907	2,486	5,393
	349	1,718	2,038	1,059	3,097

16. Trade and other receivables

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

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

17. Cash and cash equivalents

17a. Cash and cash equivalents

	CONSOLIDATED		COMPANY	
In thousands of AUD	2008	2007	2008	2007
Bank balances	10,863	10,484	10,863	10,472
Call deposits	3,502	1	3,502	1
Cash and cash equivalents in the statement of cash flows	14,365	10,485	14,365	10,473

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

17b. Reconciliation of cash flows from operating activities

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

18. Capital and reserves

Share capital

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

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

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

19. Basic and diluted loss per share

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

Profit attributable to ordinary shareholders

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

Weighted average number of ordinary shares

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

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

20. Loans and borrowings

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

	CONSOLIDATED		COMPANY	
In thousands of AUD	2008	2007	2008	2007
Current liabilities				
Current portion of finance lease liabilities	62	19	62	19
Convertible note liability	6,443	-	6,443	-
	6,505	19	6,505	19
Non-current liabilities				
Finance lease liabilities	273	135	273	135
	273	135	273	135

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				CONSOLIDATED			
				30 JUNE 2008		30 JUNE 2007	
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%	2014	15,629	6,443	-	-
Finance lease liabilities	AUD	10.21%	2012	427	335	197	154
Total interest-bearing liabilities				16,056	6,778	197	154

				COMPANY			
				30 JUNE 2008		30 JUNE 2007	
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%	2014	15,629	6,443	-	-
Finance lease liabilities	AUD	10.21%	2012	427	335	197	154
Total interest-bearing liabilities				16,056	6,778	197	154

Convertible notes

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

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

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

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

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

21. Convertible Note Derivative

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

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

22. Employee benefits

Current	CONSOLIDATED		COMPANY	
In thousands of AUD	2008	2007	2008	2007
Liability for annual leave	86	5	86	5
Total employee benefits - current	86	5	86	5

23. Share-based payments

Options

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

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

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

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

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

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

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

23. Share-based payments (cont.)

Options (cont.)

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

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

Shares

The terms and conditions of share grants are as follows:

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

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

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

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

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:

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

Hybrids

The terms and conditions of hybrid grants are as follows:

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

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

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

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

23. Share-based payments (cont.)

Hybrids (cont.)

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

Fair value of hybrids and assumptions	Directors 2008	Directors 2007	Executives 2008	Executives 2007
Fair value of grant	$1.19	-	$0.80	-

Share based payment expense

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

24. Provisions

In thousands of AUD	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
Site restoration	3,500	-	3,500	-
	3,500	-	3,500	-

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

25. Trade and other payables

In thousands of AUD	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
Trade payables	369	1,343	369	1,343
Other payables and accrued expenses	2,069	560	2,069	560
	2,438	1,903	2,438	1,903

26. Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

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

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

Credit risk

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

Investments, banks and financial institutions

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

Trade and other receivables

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

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

26. Financial risk management (cont.)

Exposure to credit risk

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

		CARRYING AMOUNT	
In thousands of AUD	**Note**	**2008**	**2007**
Cash and cash equivalents	17a	14,365	10,485
Other investments	13	-	311
Trade and other receivables	16	-	972

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

		CARRYING AMOUNT	
In thousands of AUD	**Note**	**2008**	**2007**
Cash and cash equivalents	17a	14,365	10,473
Other investments	13	-	311
Trade and other receivables	16	-	972

Loans past due but not impaired

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

Impairment losses

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

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

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

Liquidity risk

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

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

Consolidated and Company
30 June 2008

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

Consolidated and Company
30 June 2007

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

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

Market Risk

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

26. Financial risk management (cont.)

Currency risk

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

Exposure to currency risk

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

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

Sensitivity analysis

The following sensitivities have been applied for 2008:

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

The following sensitivities have been applied for 2007:

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

	CONSOLIDATED		COMPANY	
In thousands of AUD	Equity	Profit or loss	Equity	Profit or loss
30 June 2008				
USD	-	(752)	-	(752)
30 June 2007				
UK Pounds	(31)	-	(31)	-

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

Interest rate risk

The Group is exposed to interest rate risk due to variable interest being earned on its interest bearing bank accounts and the value of the convertible note derivative (as the derivative fluctuates both with the underlying company share price and the risk free rate of interest).

The Group adopts a policy of periodically reviewing interest rates to ensure the Group is earning the optimal interest income.

Profile

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

	CONSOLIDATED CARRYING AMOUNT		COMPANY CARRYING AMOUNT	
In thousands of AUD	2008	2007	2008	2007
Fixed rate instruments				
Cash and cash equivalents	3,502	1	3,502	13
Variable rate instruments				
Cash and cash equivalents	10,863	10,471	10,863	10,471

Cash flow sensitivity analysis for variable rate instruments

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

	PROFIT OR LOSS	
In thousands of AUD	100 bp increase	100 bp decrease
30 June 2008		
Variable rate instruments (Cash and cash equivalents)	108	(108)
Cash flow sensitivity (net)	108	(108)

	PROFIT OR LOSS	
In thousands of AUD	200bp increase	200bp decrease
30 June 2008		
Variable rate instruments (Convertible note derivative)	327	(327)
Cash flow sensitivity (net)	327	(327)

	PROFIT OR LOSS	
In thousands of AUD	100bp increase	100bp decrease
30 June 2007		
Variable rate instruments	104	(104)
Cash flow sensitivity (net)	104	(104)

Equity price risk

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

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

26. Financial risk management (cont.)

Profile

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

	CONSOLIDATED CARRYING AMOUNT		COMPANY CARRYING AMOUNT	
In thousands of AUD	2008	2007	2008	2007
Variable rate instruments				
Financial assets	-	311	-	311
Convertible note derivative	17,470	-	17,470	-

Cash flow sensitivity analysis for variable rate instruments

2007 Equity price risk

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

2008 Equity Price Risk

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

	CONSOLIDATED CARRYING AMOUNT		COMPANY CARRYING AMOUNT	
In thousands of AUD	2008	2007	2008	2007
Variable rate instruments				
Convertible note derivative	17,470	-	17,470	-
	17,470	-	17,470	-

	PROFIT OR LOSS	
In thousands of AUD	100% increase	64% decrease
30 June 2008		
Variable rate instruments	(19,946)	11,457
Cash flow sensitivity (net)	(19,946)	11,457

	PROFIT OR LOSS	
In thousands of AUD	26% increase	26% decrease
30 June 2007		
Variable rate instruments	80	(80)
Cash flow sensitivity (net)	80	(80)

Fair values

Fair values versus carrying amounts

Cash and cash equivalents

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

Other Receivables

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

Convertible Debt

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

Convertible Note Derivative

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

Capital Management

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

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

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

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

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

27. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	CONSOLIDATED		COMPANY	
In thousands of AUD	2008	2007	2008	2007
Less than one year	148	90	148	90
Between one and five years	296	-	296	-
More than five years	-	-	-	-
	444	90	444	90

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

28. Capital and other commitments

Exploration expenditure commitments

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

	CONSOLIDATED		COMPANY	
In thousands of AUD	2008	2007	2008	2007
Less than one year	154	203	154	203
Between one and five years	120	329	120	329
More than five years	-	-	-	-
	274	532	274	532

29. Related parties

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

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

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

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by S300A of the Corporations Act and Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' report on pages 14 to 24.

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

Loans to key management personnel and their related parties

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

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

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

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

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

29. Related parties (cont.)

Loans to key management personnel and their related parties (cont.)

Other key management personnel transactions

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

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

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

			TRANSACTIONS VALUE YEAR ENDED 30 JUNE		BALANCE OUTSTANDING AS AT 30 JUNE	
In AUD		Note	2008	2007	2008	2007
Key management person and their related parties	**Transaction**					
Mr R Monti - Ventnor Capital Pty Ltd	Consulting Services	(i)	-	26,900	-	-
Mr C Indermaur - Brightstar Capital Pty Ltd	Consulting Services	(ii)	-	60,000	-	-
Mr B Sceresini - Australian Mining Advisors Pty Ltd	Consulting Services	(iii)	-	44,081	-	-

(i) A director, Mr R Monti, is a director and shareholder of Ventnor Capital Pty Ltd, which provided consulting services to the Company since his appointment as director in April 2007 on normal commercial terms and conditions.

(ii) A director, Mr C Indermaur, is a director of Brightstar Capital Pty Ltd, which provided consulting services to the Company prior to his appointment as director in July 2007 on normal commercial terms and conditions.

(iii) A director, Mr B Sceresini, is a director and shareholder of Australian Mining Advisors Pty Ltd, which has provided metallurgical consulting services to the Company and certain of its subsidiaries for several years on normal commercial terms and conditions.

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

Options and rights over equity instruments

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

	Held at 1 July 2007	Granted as compensation	Exercised	Other changes	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors							
Mr A Forrest	-	115,000,000	-	(115,000,000)	-	115,000,000	115,000,000
Mr C Indermaur	-	-	-	-	-	-	-
Mr R Monti	-	2,500,000	-	(1,250,000)	1,250,000	2,500,000	2,500,000
Mr D Singleton	-	1,000,000	-	-	1,000,000	-	-
Mr G Brayshaw	-	-	-	-	-	-	-
Mr D Daws (resigned 2 July 2007)	2,200,000	-	(2,200,000)	-	-	-	-
Mr C Daws (resigned 2 July 2007)	2,200,000	-	(2,200,000)	-	-	-	-
Executives							
Mr R Dennis	-	277,000	-	-	277,000	-	-
Mr N Hutchison	-	142,000	-	-	142,000	-	-
Mr M Rodriguez	-	-	-	-	-	-	-
Mr G Jones	-	114.000	-	-	114,000	-	-

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

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

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

No options were held by key management person related parties.

29. 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:

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

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

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

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

Movements in hybrids

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

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

30. Group entities

Significant subsidiaries

PARENT ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2008	2007
Significant subsidiaries			
Wells Gold Corporation (International) Pty Ltd	Australia	-	100%
West Swan Wineries Pty Ltd	Australia	-	100%

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

31. Joint ventures

The Group has entered into the following joint venture arrangements:

		EQUITY INTEREST		CARRYING VALUE	
		2008	2007	2008	2007
Project	**Activities**	%	%	$	$
Menzies	Nickel	-	-	17,887	-
Waite Kauri	Nickel/Cobalt	-	-	-	-

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

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

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

32. Subsequent event

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

33. Auditors' remuneration

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

No other services were provided by KPMG during the year.

Directors' Declaration

For the year ended 30 June 2008

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

(a) the financial statements and notes and the remuneration disclosures that are contained in section 7.4 of the Remuneration report in the Directors' report, set out on pages 14 to 24, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

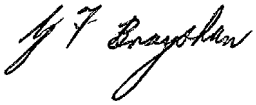
(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*; the Corporations Act 2001 and the Corporations Regulations 2001; and

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and financial controller for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors:



Mr G Brayshaw
Director

Perth, 25 September 2008

Independent Audit Report

For the year ended 30 June 2008

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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Statement of independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Poseidon Nickel Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in paragraph 7.4 to 7.4.3 of the directors' report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

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

KPMG

KPMG

B C Fullarton

B C Fullarton
Partner

Perth
25 September 2008

Auditor's Independence Declaration

For the year ended 30 June 2007

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

To: the directors of Poseidon Nickel Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

B C Fullarton

B C Fullarton
Partner

Perth
25 September 2008

ASX Additional Information

For the year ended 30 June 2008

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The shareholder information set out below was applicable as at 29 August 2008.

A. Distribution of equity securities

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

	CLASS OF EQUITY SECURITY		
	Ordinary Shares	Options December 2009	Options December 2011
1 - 1000	2,407	6	5
1,001 - 5,000	3,012	30	21
5,001 - 10,000	1,000	20	13
10,001 - 100,000	1,351	68	60
100,001 and over	156	1	14
	7,926	136	113

There were 1,671 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

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

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

B. Equity security holders (cont.)

Twenty largest quoted option holders

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

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

Twenty largest quoted option holders

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

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

C. Substantial holders

Substantial holders in the company are set out below:

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

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

Options

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

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

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

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

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

Partly paid shares to $0.002

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

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.

Partly Paid shares

(a) The Partly Paid shares shall be allotted and issued at an issue price of $0.102 each and the holder will, at the allotment date, have paid $0.002 for each Partly Paid share leaving $0.10 payable.

(b) Subject to the payment of any unpaid capital, the Partly Paid shares shall rank equally with, and have all the rights, benefits and obligations as existing shares.

(c) The Company shall not make any call in respect of the unpaid capital owing on the Partly Paid shares until that date which is 36 months after the allotment date. Thereafter the Company will make calls on the unpaid capital owing on the Partly Paid shares at a rate of $0.02 per Partly Paid share per annum pursuant to the timetable below:

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

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

(d) The holder of Partly Paid shares may, at any time prior to a call being made by the Company to pay up any unpaid capital of the Partly Paid shares in accordance with clause (c), at its sole and absolute discretion, elect to pay up all of the unpaid capital.

(e) As soon as practicable after receipt of payment of the outstanding amount owing on the Partly Paid shares, and as required by Chapter 2 of ASX Listing Rules, the company will apply for quotation on ASX for the Partly Paid shares that become fully paid.

(f) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the Partly Paid shares shall be reorganised in accordance with the Listing Rules, the Company's Constitution and Corporations Act.

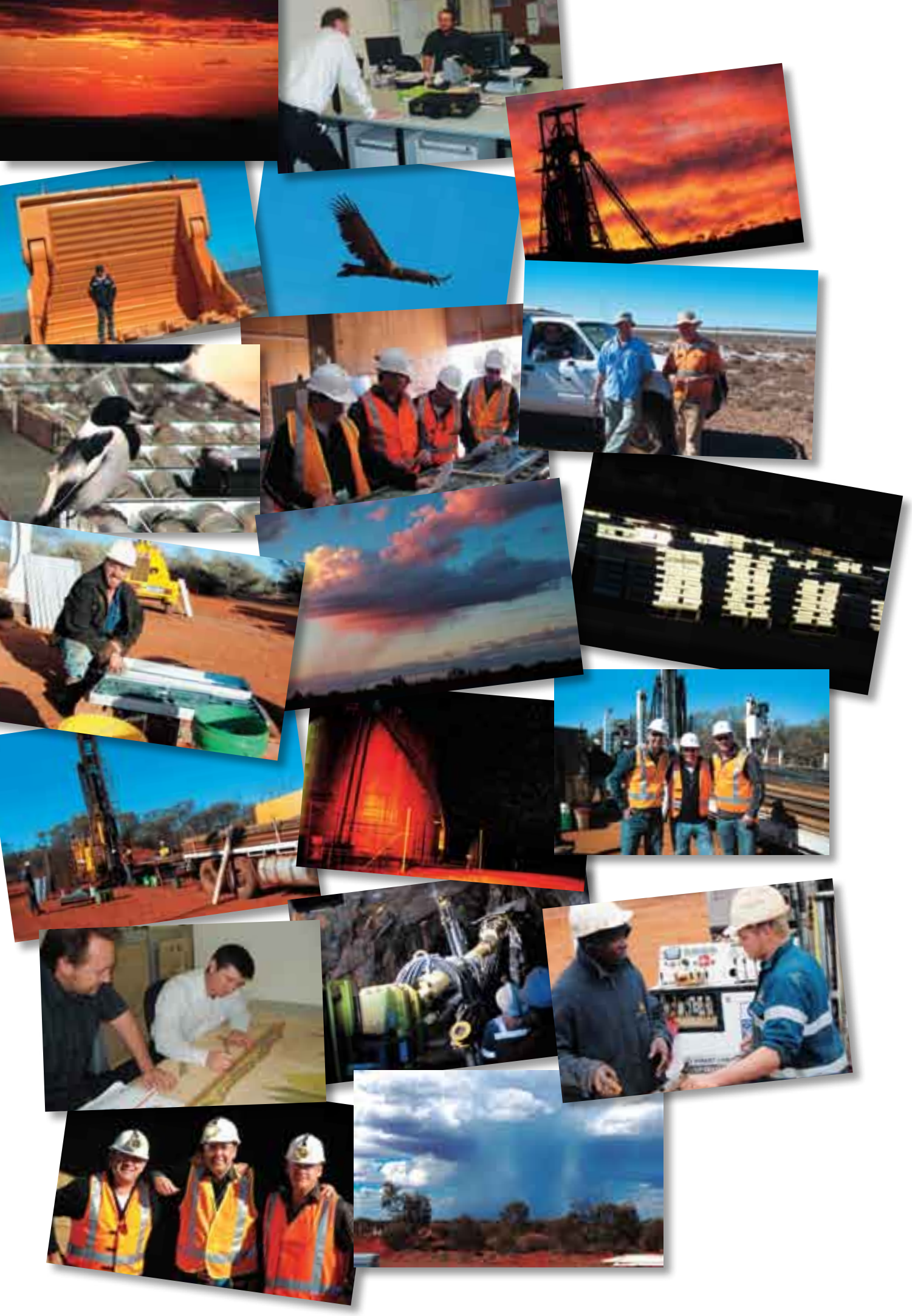
(g) Holders of Partly Paid shares are entitled to receive notice of, attend and vote at shareholders meetings. Resolutions of shareholders will be decided by a show of hands unless a poll is demanded. On a show of hands each holder of a Partly Paid share present in person or by proxy has one vote. On a poll, each holder of a Partly Paid share present in person or by proxy has a fraction of a vote for each Partly Paid share determined by the amount paid up on that share.

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

F. Schedule of Tenements

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

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



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