



POSEIDON NICKEL LIMITED

Corporate Governance Statement For the year ended 30 June 2015

**Last Updated:
August 2015**

1. Introduction

The board of directors of Poseidon Nickel Limited (the Company) is committed to conducting business in accordance with the highest standards of corporate governance. The board has established a corporate governance framework which guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

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

2. Corporate Governance Disclosure

The board and management are committed to corporate governance and to the extent that they are applicable to the Company have followed the "Principles of Good Corporate Governance and Best Practice Recommendations" issued by the Australian Securities Exchange ("ASX") Corporate Governance Council. The board considers that throughout 2015 it complied with the new ASX Principles and this Corporate Governance Statement reports on the corporate governance framework and practices adopted by the Company.

Information regarding the eight Essential Corporate Governance Principles as they applied for the financial year ended 30 June 2015 can be found on the Company's website, www.poseidon-nickel.com.au.

3. Role of the Board

The Board Charter sets out the board's role, powers and duties and establishes the functions reserved for the board and those delegated to management.

The key responsibilities of the board include:

- Appointing, evaluating, rewarding and if necessary, the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times, the state of health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately. Further, approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted and that its practice is consistent with a number of guidelines, being:
 - Directors and Executive Officers Code of Conduct;
 - Dealing in Securities;
 - Reporting and Dealing with Unethical Practices; and
- Reporting to and advising shareholders.

Responsibility for the day-to-day management of the Company and recommending policy and strategic direction for board approval is delegated to management by the board.

4. Structure of the Board

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

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

- Is not a substantial shareholder of the Company or an officer of, or otherwise associated with, a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company or its subsidiaries, or been a director after ceasing to hold any such employment;

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

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

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

Mr R Dennis is not considered independent at this time as he previously undertook an executive role of Chief Operating Officer until December 2013.

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 C Indermaur	7 years
Mr G Brayshaw	8 years
Mr D Singleton	8 years
Mr R Dennis	1.5 years

When a board vacancy exists, through whatever cause, or where it is considered that the board would benefit from the service of a new director with particular skills, the Remuneration, Nomination and Diversity Committee will recommend to the board a candidate or panel of candidates with the appropriate expertise. The board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Written agreements with each director setting out the terms of their appointment have been put in place subsequent to the reporting date.

Director skills, experience and expertise

The following table sets out the key skills and experience of the directors and the extent to which they are represented on the board and its committees:

DIRECTOR COMPETENCY MATRIX						
			Committee Structure			
			<i>Board</i>	<i>Audit and Risk</i>	<i>Remuneration and Nominati on</i>	
			Total Directors	4	3	3
SKILL MATRIX	KEY AREA	COMPETENCIES	Does the committee collectively have the identified competencies? Yes or No			
EXPERIENCE AND COMPETENCIES	Corporate Finance	<ul style="list-style-type: none"> o Financial acumen o Financial reporting and regulations o Capital raising o Debt financing o Mergers, acquisitions and de-mergers 	Yes	Yes	Yes	
	Corporate Governance	<ul style="list-style-type: none"> o Corporate legislation and statutory requirements 	Yes	Yes	Yes	
	Strategic Leadership	<ul style="list-style-type: none"> o Measure Executive/KMP performance o Remuneration o Organisational culture o Executive/KMP development and succession planning o Sustainability 	Yes	Yes	Yes	
	Mining	<ul style="list-style-type: none"> o Operations o Asset optimisation o Capital projects and infrastructure 	Yes	Yes	Yes	
	Risk Management	<ul style="list-style-type: none"> o Safety o Environment o Community 	Yes	Yes	Yes	
	External Engagement	<ul style="list-style-type: none"> o Business Development o Marketing o Relationship management - community, regulators, business, government 	Yes	Yes	Yes	
PROFESSIONAL QUALIFICATION(S)	<ul style="list-style-type: none"> o Finance; and/or o Business and Economics; and/or o Technical; and/or o Legal 		Yes	Yes	Yes	

The directors consider that collectively they have the relevant skills, experience and expertise to fulfil their obligations to the Company, its shareholders and other stakeholders.

All directors are expected to maintain the skills required to discharge their duties to the Company.

Performance evaluation

The board reviews and evaluates its performance and the performance of the individual directors including the chief executive officer, the committees of the board and senior executives periodically. The board and the committees conduct an annual self-assessment questionnaire of their performance, which serves to identify strengths, weaknesses and areas of improvement. The completed self-assessments are taken into account by each committee and the board in determining performance improvements for the following year.

The performance evaluation in respect of the year ended 30 June 2015 has taken place in accordance with this process.

5. Remuneration, Nomination and Diversity Committee

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

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

For full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration report, which is contained within section 7.1 of the Directors' report in the 2015 Annual Financial Report.

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

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

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

Name	Status
Mr C Indermaur (Chairman)	Member for the whole period
Mr G Brayshaw	Member for the whole period
Mr D Singleton	Member for the whole period
Mr R Dennis	Member for the whole period

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

Diversity

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

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

The key elements of the diversity policy are as follows:

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

Gender representation

Representation	2015		2014	
	Female	Male	Female	Male
Board	0%	100%	0%	100%
Key management personnel	0%	100%	0%	100%
Group	14%	86%	11%	89%

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

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

6. Audit and Risk Management Committee

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

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

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

Name	Status
Mr G Brayshaw (Chairman)	Member for the whole period
Mr C Indermaur	Member for the whole period
Mr R Dennis	Member for the whole period

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

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

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

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

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

In conjunction with its external advisors, the Company has identified specific risk management areas being strategic, operational and compliance. During the 2015 financial year, the board continued to review the strategic and operational risks on a regular basis during the reporting period.

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

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

The assurances from the CEO and CFO can only be reasonable rather than absolute due to factors such as the need for judgement and possible weaknesses in control procedures. Any material changes in the Company's circumstances are released to the ASX and included on the Company's website.