

## QUARTERLY REPORT

30 JUNE 2016

### COMPANY OVERVIEW

Poseidon Nickel Limited is a mid-tier ASX listed company focussed on developing its nickel assets in Western Australia. The Company has two nickel sulphide concentrators and five independent mines. All of the operations are located within a 300km radius from Kalgoorlie in the Goldfields region of Western Australia. Poseidon has the second largest nickel sulphide concentrator and associated JORC compliant nickel sulphide resource within Australia.

Poseidon plans to restart operations initially at Silver Swan Australia's highest grade nickel mine followed by Lake Johnston, Black Swan and Windarra. This is considered to be a low capital, low risk strategy. A critical element of the Company's growth platform is to acquire projects with strong geological prospectivity likely to lead to a substantial extension of the projects life through the application of modern nickel exploration techniques. These exploration techniques have been proven repeatedly at Poseidon as well as several other well-known nickel producers in Australia.

Poseidon secured the Lake Johnston and Black Swan (including Silver Swan) assets together with the Windarra Nickel Project which will mine ore to be processed at the Black Swan nickel sulphide concentrator.

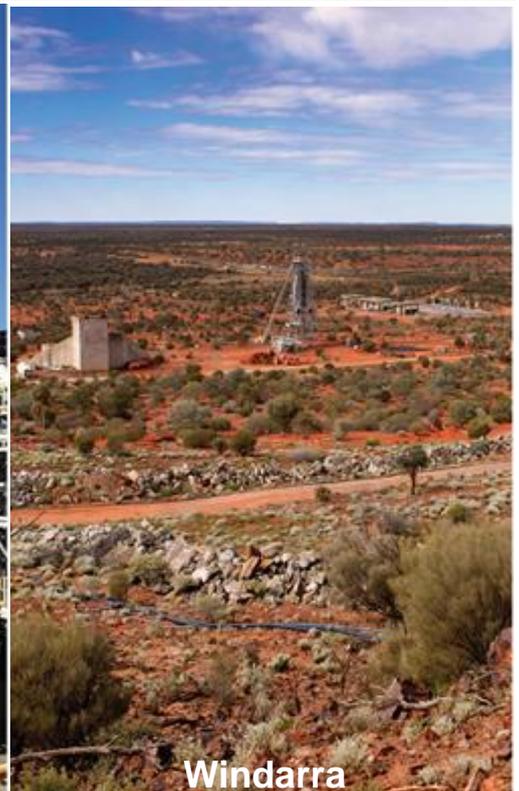
**ASX Code: POS**



Lake Johnston



Black Swan



Windarra

## COMPANY MILESTONES

- Updated Silver Swan Indicated Resource increased by 180% for 136,000 tonnes at 9.08% nickel for 12,400 tonnes of contained metal
- High grade lithium bearing pegmatites discovered within the 100% owned Lake Johnston tenements
- Composite samples from outcrops returned high grades from 2.80% to 3.85% Li<sub>2</sub>O
- Preliminary flotation tests recovered over 90% lithium and 300ppm Tantalum Oxide
- Test results indicate that a lithium concentrate can be produced from the existing Lake Johnston plant as the concentrator has the ability to process both nickel and lithium ores via two parallel circuits

## OVERVIEW

Poseidon remains focussed on developing its nickel assets, in particular the technical aspects of the Silver Swan project which is the Company's priority project due to the high grade nature of the mine and is on target to restart operations when the nickel pricing improves for a sustained period.

In addition, Poseidon has announced high grade lithium bearing pegmatites located within the Company's 100% owned Lake Johnston operations. The Emily Ann concentrator, located at Lake Johnston, provides an excellent opportunity to take advantage of this lithium hosted pegmatite discovery. Transitioning from exploration to nickel and lithium producer leverages the existing approvals, processing plant, tailings storage facility and associated infrastructure at Lake Johnston and therefore considerably reducing the timeline to production as compared to other potential nickel and lithium producers. Furthermore, this lithium opportunity provides diversification during the nickel market down turn. As an early entrant into the lithium market, Poseidon would be well poised to secure its position as a producer, underpinned by strong short to medium term market fundamentals.

## LAKE JOHNSTON PROJECT UPDATE

Poseidon announced in May that high grade lithium bearing pegmatites had been located within the Company's 100% owned Lake Johnston Operations located 440km east of Perth. Reconnaissance field work by Poseidon's geologists located numerous pegmatites within E63/1067 (Figure 1) and composite sampling along the pegmatite exposures has returned assay results grading from **2.80% to 3.85% Li<sub>2</sub>O** (Table 1 & Figure 2).

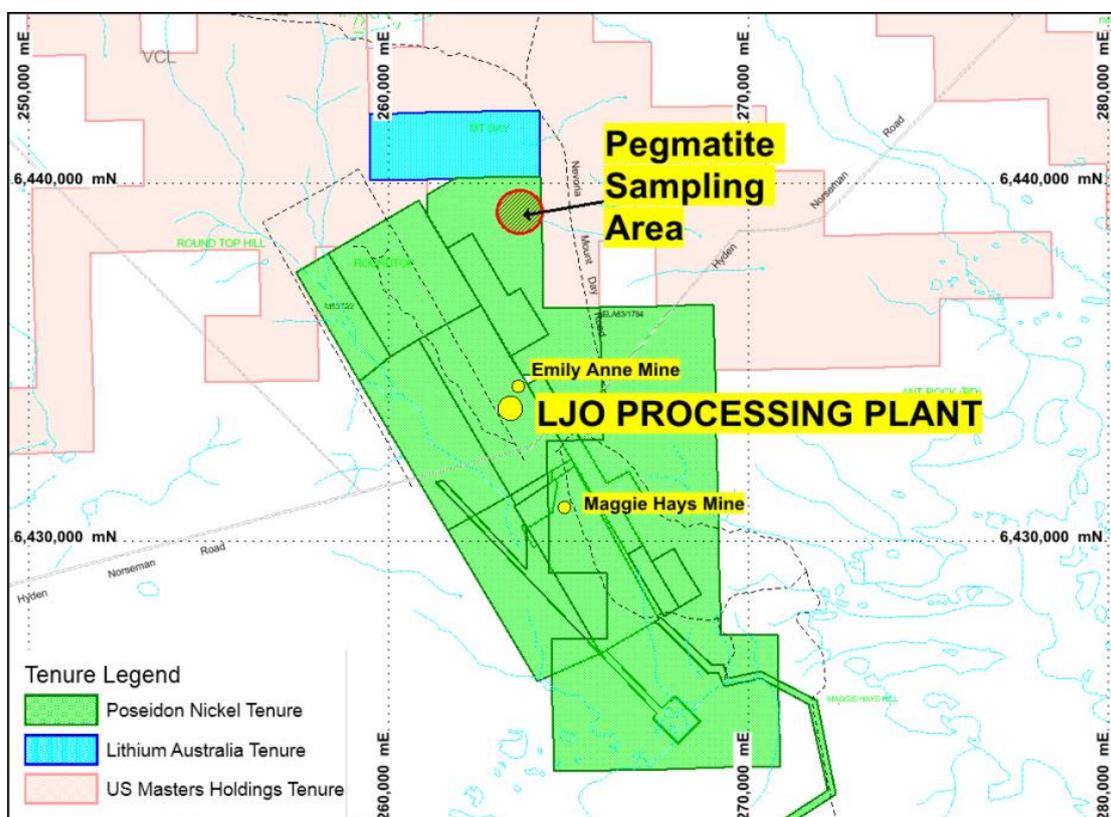
The Company identified historical samples in the DMP's MINDEX and WAMEX system (Amax Australian Ltd, Mt Day Tantalum Prospect, Dec 1981) which were collected from the northeast of the project within E63/1067 (Figure 1). Beryl crystals were historically dug from exploratory pits at Mt Day and tantalum mineralisation was noted at the time. Amax identified outcropping tantalite and lepidolite bearing pegmatites which were noted to be 10-15m in width and up to 500m long. Amax assayed for Ta, Li, Nb, Sn and Sn, however no significant tantalum mineralisation was identified and no further work completed.

Preliminary mapping and sampling by Poseidon located these pegmatites during which our geologist's focussed on a zone ~30m wide of sub cropping lithium bearing pegmatite veins which strike NE-SW for ~160m before disappearing under cover (Figure 2). Follow-up mapping/sampling has commenced and is expected to locate more pegmatite veins in the area. Trenching across the outcrop-subcrop areas is required to fully expose and accurately channel sample these lithium bearing pegmatites. Clearing and work permits have been submitted and the Company is awaiting statutory approval from the DMP for these works to commence.

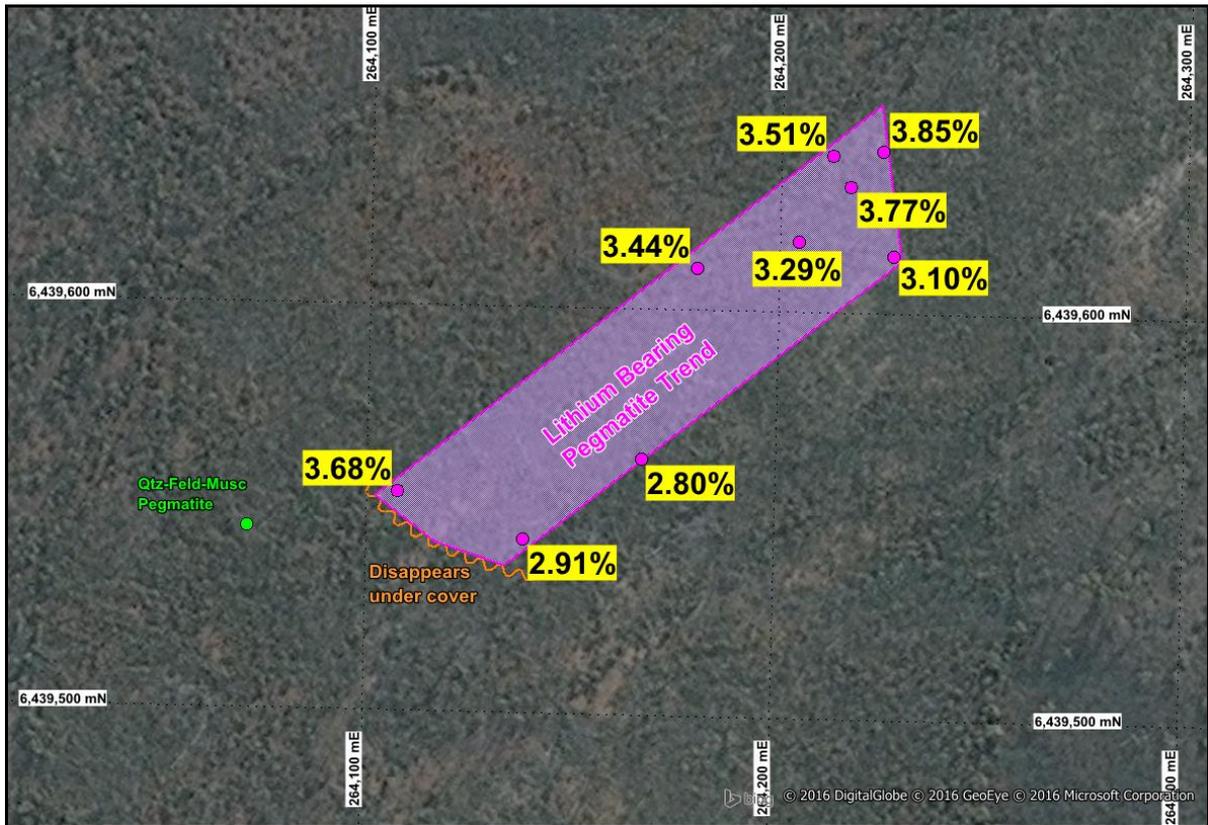
Significant rock chip sample results are shown below in Table 1.

**Table 1: Significant Rock Chip Sample Results**

Sample No.	East MGA	North MGA	Description	Li <sub>2</sub> O
				%
POS024	~264900	~6430930	Maggie Hays UG Sample	0.37
POS029	~264900	~6430930	Maggie Hays UG Sample	0.41
POS030	264228	6439614	E63/1067 pegmatite	<b>3.10</b>
POS031	264225	6439640	E63/1067 pegmatite	<b>3.85</b>
POS036	264213	6439639	E63/1067 pegmatite	<b>3.51</b>
POS037	264217	6439631	E63/1067 pegmatite	<b>3.77</b>
POS038	264205	6439617	E63/1067 pegmatite	<b>3.29</b>
POS039	264180	6439610	E63/1067 pegmatite	<b>3.44</b>
POS040	264167	6439563	E63/1067 pegmatite	<b>2.80</b>
POS041	264139	6439543	E63/1067 pegmatite	<b>2.91</b>
POS042	264108	6439554	E63/1067 pegmatite	<b>3.68</b>



**Figure 1: Lake Johnston map showing a zone of identified outcropping pegmatites with historic lithium results in the northern area of the Company's 100% owned tenure**



**Figure 2: Location of sampled lithium bearing pegmatite with Li<sub>2</sub>O% assay results**

The surface pegmatite samples were composited and issued to two NATA accredited commercial laboratories with appropriate experience in the flotation of lithium hosted pegmatites to complete preliminary sighter testwork. The key objective was to determine if a concentrate containing lithium could be recovered from the composite sample. Sub-samples were also taken for preliminary XRD examination. This will allow a quantitative method to establish the predominant lithium minerals in the surface samples recovered from Lake Johnston. Visually there are indications of micas including lepidolite, zinnwaldite, petalite and some spodumene.

Preliminary sighter flotation tests completed were positive with over 90% lithium recovered to produce a 3.9% Li<sub>2</sub>O and 300ppm Ta<sub>2</sub>O<sub>5</sub> concentrate (Figure 3). The testwork is preliminary only and optimisation is required to reduce impurities further however, the results to date and recent engineering works provide confidence that the existing Lake Johnston concentrator's parallel circuits have the ability to process both nickel and lithium ores through to a concentrate simultaneously should economic quantities of Li-Ta be identified. The ability to utilise the existing plant and infrastructure at Lake Johnston to produce a lithium concentrate potentially offers Poseidon a significant cost and time advantage.



Figure 3: Pegmatite flotation test

### SILVER SWAN PROJECT UPDATE

In June the Company announced a 180% increase in the JORC 2012 compliant Silver Swan Indicated Resource Estimate (**52Kt @9.19% Ni for 4,800 tonnes contained nickel metal**) recently prepared by Optiro Pty Ltd (Optiro).

Tundra and Mute orebodies had been interpreted as separate zones by Norilsk Nickel. The lower end of Tundra was defined by two drill hole intercepts at depth with no supportive drilling. Norilsk had completed numerous drill holes during 2008/2009 into the Lower Tundra/Upper Mute areas to define this historic interpretation (see Figure 4). Due to the termination of mining and the operations placed on care & maintenance in 2009, all assay work was terminated and pending data was not added to the database. Poseidon identified these issues and located a number of the raw assay files that were added to the database.

Drill holes with missing assays were resampled and submitted for assaying. These results were also included into the database providing a more comprehensive data set for interpretation work and holes that were previously removed from the estimation process were validated and included in the resource model.

3D modelling of the added drill holes provided sufficient support to demonstrate that Tundra and Mute orebodies are on the same basal contact position and have been reinterpreted to be linked via a section of thinner mineralisation. The inclusion of the additional drill core samples into the resource model database resulted in a substantial increase to the Silver Swan Indicated Resource Estimate (see Figure 5).

The total unmined resource estimate (Indicated + Inferred) for the Silver Swan Project below the 10075mRL level (see Figure 6) is **136Kt @ 9.08% Ni for 12,400t of contained nickel metal**. This brings Poseidon’s total nickel inventory over the company’s 3 projects to **392kt of total contained nickel metal**.

Poseidon’s core nickel assets are 5 mines and 2 concentrators and the Company’s strategy is focussed on preparing our nickel assets for relaunch when the nickel market improves. We anticipate Silver Swan will be the first nickel asset to return to production as it remains the world’s highest grade nickel mine. Internal scoping studies have confirmed that Silver Swan is profitable at US\$5/lb-Ni pricing at current monetary exchange rates. Figure 5 highlights a long section through the Silver Swan underground high grade mineralisation with the key lodes included in the resource estimate update.

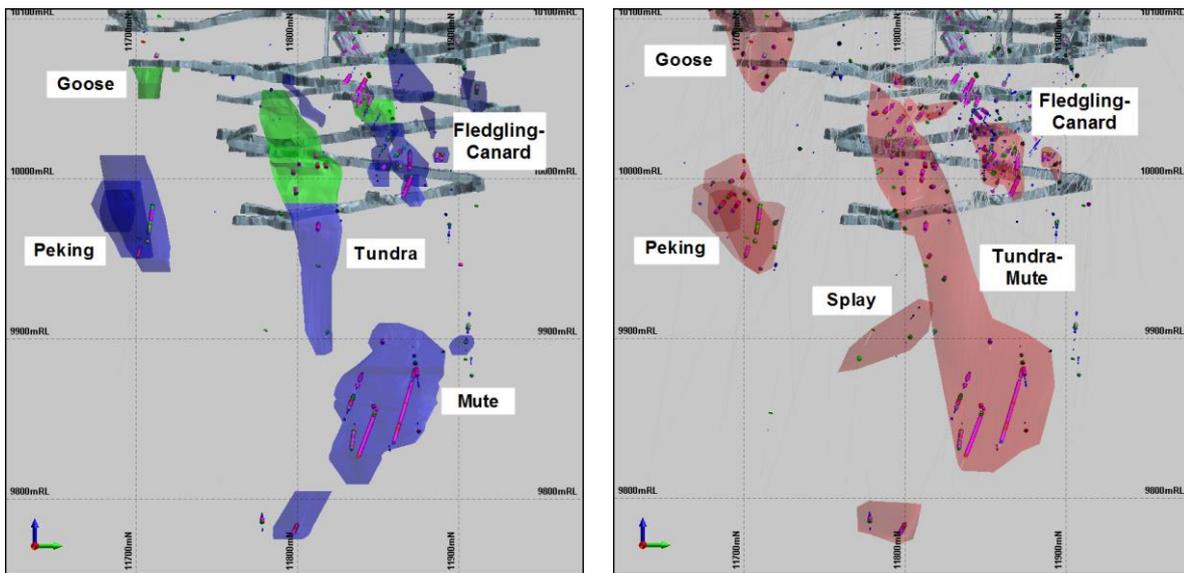


Figure 4: Changes between the September 2015 Model (left) and the May 2016 Model (right) in the Tundra-Mute area

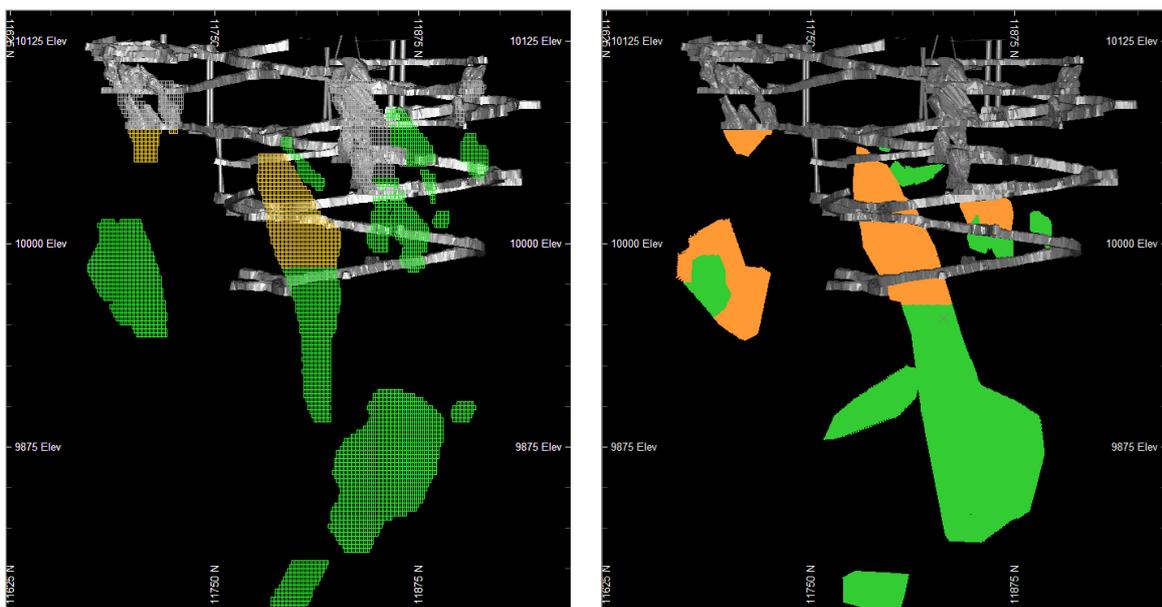
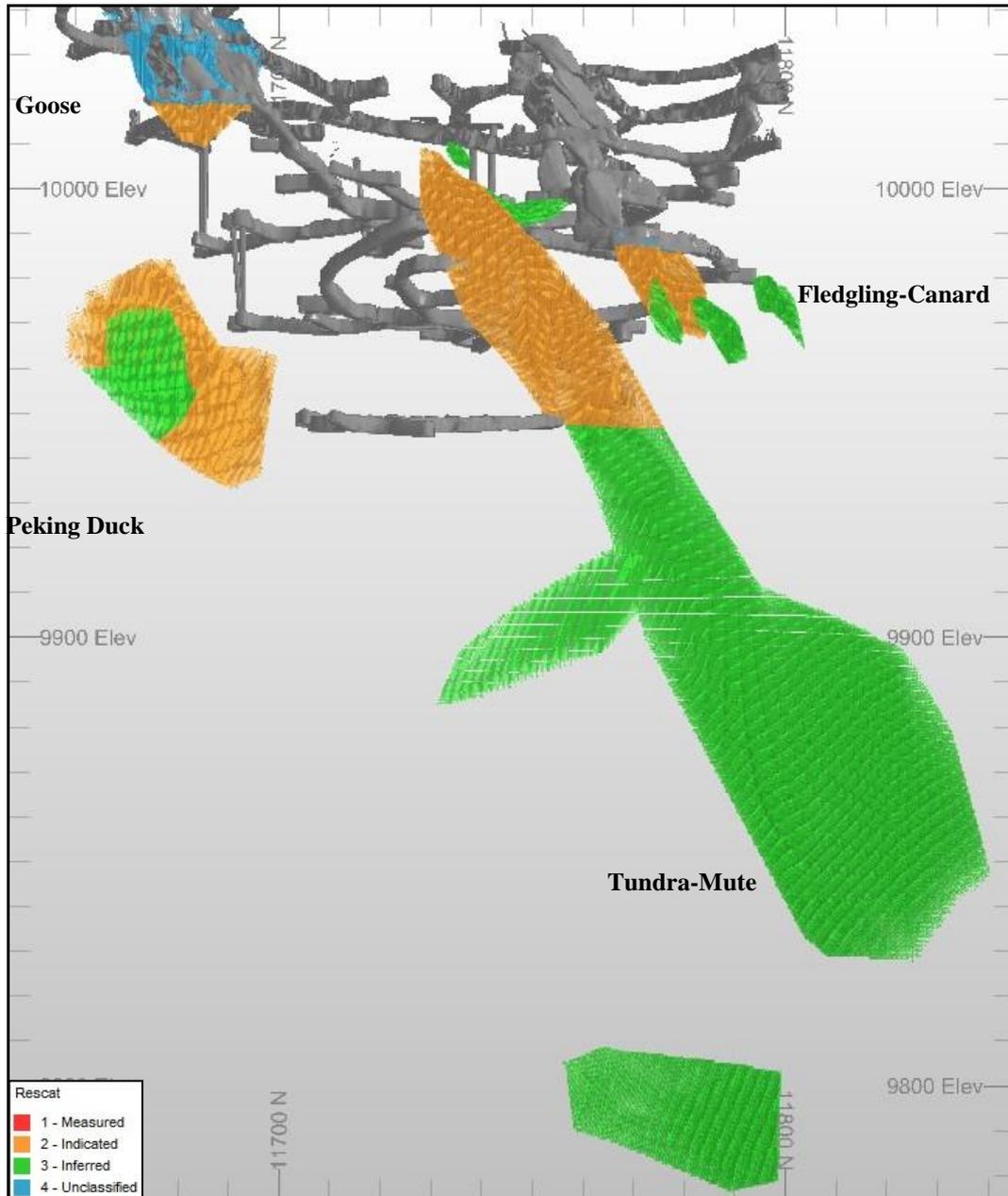


Figure 5: Long section looking west showing previous model (left) compared to the May 2016 Mineral Resource classification (right)



**Figure 6: Long section (looking NW) of the May 2016 Silver Swan Mineral Resource (Goose, Peking Duck, Tundra-Mute and Fledgling-Canard) showing location of JORC 2012 Mineral Resources (orange=Indicated, green=Inferred, blue=Unclassified/Depleted) and existing mining infrastructure (grey) below the 10250 mRL including lateral development and stopes**

Tsingshan retain the off-take agreement with Silver Swan with favourable terms offered for the direct shipment of nickel ore reducing the restart capital requirement and an overall improvement in nickel recovery through to metal. The contract covers the first 2.5 years of nickel produced at Silver Swan. The mine infrastructure remains in good condition and the ore bodies can be accessed from the existing decline. Poseidon is currently progressing outstanding regulatory approvals, geotechnical studies, mine engineering and LOM planning to complete a Bankable Feasibility Study for Silver Swan.

## WINDARRA PROJECT UPDATE

The Company has reviewed plans to commission a gold tailings treatment plant at Windarra. The gold tailings treatment project economics were previously released to the market in 2013 as part of an integrated nickel sulphide concentrator and gold carbon in leach (CIL) plant to be commissioned at Windarra. Since then the project fundamentals have significantly improved with the rise in the gold price and the fall in the Australian dollar.

Whilst a number of financing options for the development of a standalone CIL plant were being considered, regulatory approvals for a standalone CIL plant are complicated by the Poseidon Nickel State Agreement. The State Agreement defines the project permitted on the Windarra site in detail. The State Agreement is a complex document which was intended for the original Windarra development almost 50 years ago. Changing it to suit differing priorities is not a straightforward task and it will be advantageous to the Company if the tenements were simply held under the Mining Act.

Terminating the State Agreement will allow development of the gold tailings project under the more flexible Mining Act, transition the Windarra tenements through to granted mining leases and the Mine Rehabilitation Fund (MRF), triggering the release of \$3.5 million unconditional environmental bond. Poseidon believes that terminating the State Agreement is in the best interest of its shareholders.

The process to terminate the State Agreement will require an Act of State Parliament. Meetings with government officials and the Minister for State Development, the Honourable Mr Bill Marmion to pursue this course of action have been held.

During the quarter the Company and Panoramic Resources agreed to terminate the Magma Metals Laverton Joint Venture. Poseidon has now withdrawn from the JV and has handed all management and data for the tenements over to Panoramic.

## FINANCIAL

As at 30 June 2016, the Company had cash on hand of A\$3.0 million.

The Company has elected to settle the interest due to Jefferies LLC for the Convertible Note for the June quarter in cash rather than shares. To fund this interest payment, support the developing exploration work programme being undertaken on lithium at Lake Johnston, the completion of studies for Silver Swan and care and maintenance, the Company has continued to utilise the mechanism set up in September 2015 for selling shares to an intermediary. The exact quantum of funds received depends on the success of the intermediary in selling those shares. The issue of shares has raised \$1.9 million.

## CORPORATE

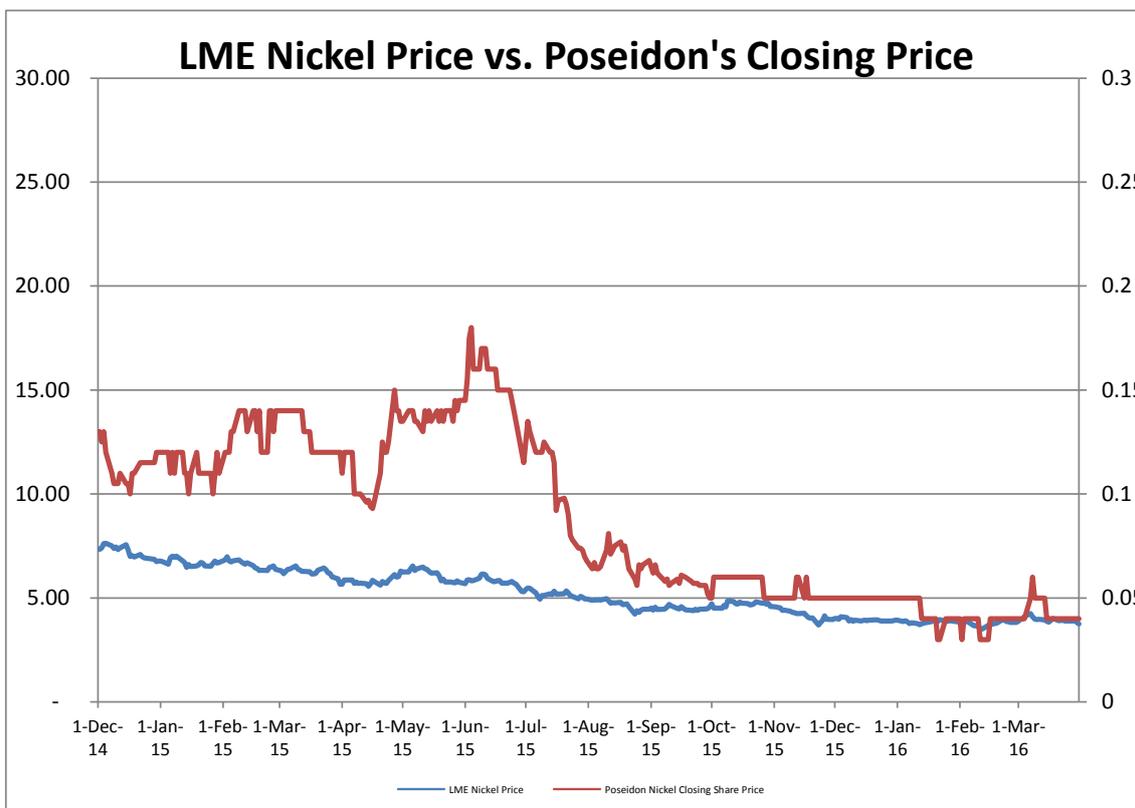
In line with Poseidon's policy to only pay Directors fees in performance rights in order to retain the cash reserves of the Company, 1,123,343 Unlisted Performance Rights were issued in lieu of Directors fees for the quarter to March under the terms of the Director Fees Performance Rights Plan. The performance rights were issued on 5 April 2016 at a deemed issue price of A\$0.0408 based upon the volume weighted average sale price ("VWAP") for the 91 days prior to the expiration of the quarter. The payment of performance rights was approved by shareholders at the Annual General Meeting held on 26 November 2015.

The Company issued 35,000,000 Fully Paid Ordinary Shares to professional and sophisticated investors in order to fund the interest payments due to Jefferies LLC for the Convertible Note for the March and June quarters, lithium exploration, ongoing studies and care and maintenance programs across all sites.

In addition, the Company issued 721,154 Fully Paid Ordinary Shares for drilling services at Emily Ann to preserve cash resources.

**MARKET INFORMATION**

Figure 7 below shows the underlying correlation between Poseidon’s share price and the LME Nickel price over the last 15 months.



**Figure 7: Poseidon share price graph compared to LME Nickel price**

**Chris Indermaur**  
Chairman

7 July 2016

MINERAL RESOURCE STATEMENT

Table 2: Nickel Projects Mineral Resource Statement

Nickel Sulphide Resources	JORC Compliance	Cut Off Grade	Mineral Resource Category								
			Indicated			Inferred			TOTAL		
			Tonnes (Kt)	Ni% Grade	Ni Metal t	Tonnes (Kt)	Ni% Grade	Ni Metal t	Tonnes (Kt)	Ni% Grade	Ni Metal t
<b>WINDARRA PROJECT</b>											
Mt Windarra	2012	0.90%	922	1.56	14,000	3,436	1.66	57,500	4,358	1.64	71,500
South Windarra	2004	0.80%	772	0.98	8,000	-	-	-	772	0.98	8,000
Cerberus	2004	0.75%	2,773	1.25	35,000	1,778	1.91	34,000	4,551	1.51	69,000
<b>BLACK SWAN PROJECT</b>											
Black Swan	2012	0.40%	9,600	0.68	65,000	21,100	0.54	114,000	30,700	0.58	179,000
Silver Swan	2012	4.50%	52	9.19	4,800	84	9.01	7,600	136	9.08	12,400
<b>LAKE JOHNSTON PROJECT</b>											
Maggie Hays	2012	0.80%	2,600	1.60	41,900	900	1.17	10,100	3,500	1.49	52,000
<b>TOTAL</b>											
Total Ni Resources	2004 & 2012		16,720	1.01	168,700	27,300	0.82	223,200	44,020	0.89	391,900

Note: totals may not sum exactly due to rounding

Table 3: Gold Tailings Project Mineral Resource Statement

Gold Tailings Resources	JORC Compliance	Cut Off Grade	Mineral Resource Category								
			Indicated			Inferred			TOTAL		
			Tonnes (Kt)	Grade (g/t)	Au (oz)	Tonnes (Kt)	Grade (g/t)	Au (oz)	Tonnes (Kt)	Grade (g/t)	Au (oz)
<b>WINDARRA GOLD TAILINGS PROJECT</b>											
Gold Tailings	2004	NA	11,000	0.52	183,000	-	-	-	11,000	0.52	183,000
<b>TOTAL</b>											
Total Au Resources	2004		11,000	0.52	183,000	-	-	-	11,000	0.52	183,000

Note: totals may not sum exactly due to rounding.

## ORE RESERVE STATEMENT

Table 4: Nickel Project Ore Reserve Statement

Nickel Sulphide Reserves	JORC Compliance	Ore Reserve Category		
		Probable		
		Tonnes (Mt)	Ni% Grade	Ni Metal (Kt)
<b>LAKE JOHNSTON PROJECT</b>				
Maggie Hays	2012	1.9	1.19	22.6
<b>BLACK SWAN PROJECT</b>				
Black Swan	2012	3.4	0.63	21.5
<b>WINDARRA PROJECT</b>				
Mt Windarra	2012	0.6	1.70	9.6
Cerberus	2004	1.2	1.30	16.0
<b>Windarra Sub Total</b>		<b>1.8</b>	<b>1.42</b>	<b>25.6</b>
<b>TOTAL</b>				
<b>Total Ni Reserves</b>	2004 & 2012	<b>7.1</b>	<b>0.98</b>	<b>69.7</b>

Note: totals may not sum exactly due to rounding.

Calculations have been rounded to the nearest 100,000 t of ore, 0.01 % Ni grade and 100 t Ni metal.

Notes

The information in this report that relates to Exploration Results is based on information compiled and reviewed by Mr N Hutchison, General Manager of Geology who is a full-time employee at Poseidon Nickel, and is a Member of The Australian Institute of Geoscientists.

The information in this report which relates to the Lake Johnston Mineral Resource is based on information compiled by Neil Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists and Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy.

The information in this report which relates to the Lake Johnston Ore Reserves Project is based on information compiled by Matt Keenan who is a full time employee of Entech Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy.

The information in this report which relates to the Silver Swan Mineral Resource is based on information compiled by Neil Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists.

The information in this report which relates to the Black Swan Mineral Resource and Ore Reserves is based on information compiled by Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd, as well as Francois Bazin of IMC Mining Pty Ltd. Both are Members of the Australasian Institute of Mining and Metallurgy.

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

The information in this report that relates to Ore Reserve at the Windarra Nickel Project is based on information compiled Leanne Cureton and Andrew Law who are both full time employees of Optiro Pty Ltd and are a Member and a Fellow of the Australasian Institute of Mining and Metallurgy respectively.

Mr Hutchison, Mr Glacken, Mr Keenan, Mr Weeks, Mr Bazin, Mr Law & Ms Cureton all have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code 2012). Mr Hutchison, Mr Glacken, Mr Keenan, Mr Weeks, Mr Bazin, Mr Law & Ms Cureton have consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

This document contains Mineral Resources and Ore Reserves which are reported under JORC 2004 Guidelines as there has been no Material Change or Re-estimation of the Mineral Resource or Ore Reserves since the introduction of the JORC 2012 Codes. Future estimations will be completed to JORC 2012 Guidelines.

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

## **CORPORATE DIRECTORY**

### **Director / Senior Management**

Chris Indermaur	Non-Executive Chairman
David Singleton	Non-Executive Director
Geoff Brayshaw	Non-Executive Director
Robert Dennis	Non-Executive Director
Gareth Jones	Company Secretary

### **Corporate Enquiries**

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F: 61 8 6167 6649

E: admin@poseidon-nickel.com.au

### **Shareholder Enquiries**

Enquiries concerning shareholdings should be addressed to:

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GPO Box D182, Perth WA 6840  
P: 61 8 9323 2000

### **Principal Office**

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### **Media Enquiries**

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### **Home Exchange**

The Company's shares are listed on the Australian Securities Exchange and the home exchange is Perth ASX code: POS

**TENEMENTS**

**Mining Tenements Held as at 30 June 2016**

<b>Areas of Interest</b>	<b>Tenements</b>	<b>Economic Entity's Interest</b>
<b>Western Australia</b>		
- Windarra Nickel Assets	MSA 38/261, G38/21, L38/121, L39/184, L38/199, L38/218, L39/221	100%
- Windarra South	L38/119, L38/122, L38/220	100%
- Woodline Well	M39/1075, L39/224	100%
- Pool Well	M38/1244, M38/1245, L38/118	100%
- Lake Johnston Nickel Assets	E63/1067, E63/1135, G63/0004, G63/0005, L63/0051, L63/0052, L63/0055, L63/0057, M63/0163, M63/0282, M63/0283, M63/0284, M63/0292, M63/0293, M63/0294, M63/0522, M63/0523, M63/0524, P63/1527, E63/1784, E63/1811, E63/1812	100%
- Black Swan Nickel Assets	E27/0357, M27/0039, M27/0200, M27/0214, M27/0216, P27/1808, P27/1809, P27/1810, P27/1811, L27/0058, L27/0059, L27/0059, L27/0074, L27/0075, L27/0077, L27/0078	100%

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

**Mining Tenements Disposed during the June 2016 Quarter**

E63/625

**Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements during the June 2016 Quarter**

Nil

**Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements Acquired or Disposed of during the June 2016 Quarter**

Disposed of Magma JV Tenure

E38/1930, P38/3717, P38/3718, P38/3719, P38/3496, P38/3499, M38/372, M38/694

# Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 010/7/96. Origin: Appendix 8. Amended 010/7/97, 01/07/98, 30/09/2001, 01/06/2010, 17/12/10, 01/05/2013.

Name of entity

**Poseidon Nickel Limited**

ABN

**60 060 525 206**

Quarter ended ("current quarter")

**30 June 2016**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	912
1.2 Payments for		
(a) exploration & evaluation	(872)	(6,997)
(b) development	-	-
(c) production	-	-
(d) administration	(297)	(2,907)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	53
1.5 Interest and other costs of finance paid	(272)	(447)
1.6 Income taxes paid	-	-
1.7 Other - sundry income	87	366
- R&D tax offset	-	2,716
- EIS government grant	-	120
<b>Net Operating Cash Flows</b>	<b>(1,343)</b>	<b>(6,184)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(197)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	116
(c) other fixed assets	-	268
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>187</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,343)</b>	<b>(5,997)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	<b>(1,343)</b>	<b>(5,997)</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,873	4,220
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue costs	(25)	(50)
	<b>Net financing cash flows</b>	<b>1,848</b>	<b>4,170</b>
	<b>Net increase (decrease) in cash held</b>	<b>505</b>	<b>(1,827)</b>
1.20	Cash at beginning of quarter/year to date	2,525	4,857
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>3,030</b>	<b>3,030</b>

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

On 4 April 2016, 1,123,343 unlisted performance rights were issued at a price of \$0.0408 as approved by the Shareholders at the November 2015 Annual General Meeting. The performance rights were issued to the Non-Executive Directors in lieu of Directors Fees for the March 2016 quarter.  
 These have not been included in the above cash flow.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	US\$17,500	US\$17,500
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,200
4.2 Development	-
4.3 Production	-
4.4 Administration	550
<b>Total</b>	<b>1,750</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,020	2,516
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other – Term Deposits	10	9
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,030</b>	<b>2,525</b>

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	E63/0625		100%	Nil
6.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	804,167,003	804,167,003		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	36,777,238 -	36,777,238 -		
7.5 <b>*Convertible debt securities</b> <i>Unsecured</i>	277,421,393 This is an estimate only based on an average exchange rate of 0.7009.	-	\$0.09	The Notes have a September 2020 maturity date convertible into fully paid ordinary shares.
7.6 Changes during quarter (a) Increases through issues  (b) Decreases through securities matured, converted, cancelled	-  -	-  -	-  -	-  -

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

7.7	<b>Options and Performance Rights</b>	Total Number	Number Quoted	Exercise price	Expiry date
	<b>Options</b>				
	<i>Unlisted</i>	2,975,000	-	\$0.22	31 August 2016
	<i>Unlisted</i>	4,250,000	-	\$0.22	23 November 2016
	<b>Performance Rights</b>				
	<i>Unlisted</i>	1,532,305	-	-	-
	<i>Unlisted (Short Term Incentive)</i>	5,145,921	-	-	16 December 2022
	<i>Unlisted (Long Term Incentive)</i>	4,320,716	-	-	16 December 2022
7.8	Issued during quarter				
	<b>Options</b>				
	<i>Unlisted</i>	-	-	-	-
	<i>Unlisted</i>	-	-	-	-
	<b>Performance Rights</b>				
	<i>Unlisted</i>	1,123,343	-	-	-
	<i>Unlisted (Short Term Incentive)</i>	-	-	-	-
	<i>Unlisted (Long Term Incentive)</i>	-	-	-	-
7.9	Exercised / Vested during quarter				
	<b>Options</b>				
	<i>Unlisted</i>	-	-	-	-
	<i>Unlisted</i>	-	-	-	-
	<b>Performance Rights</b>				
	<i>Unlisted</i>	(1,056,084)	-	-	-
	<i>Unlisted (Short Term Incentive)</i>	-	-	-	-
	<i>Unlisted (Long Term Incentive)</i>	-	-	-	-
7.10	Expired / Cancelled during quarter				
	<b>Options</b>				
	<i>Unlisted</i>	-	-	-	-
	<i>Unlisted</i>	-	-	-	-
	<b>Performance Rights</b>				
	<i>Unlisted</i>	-	-	-	-
	<i>Unlisted (Short Term Incentive)</i>	-	-	-	-
	<i>Unlisted (Long Term Incentive)</i>	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:  
(Director)

Date: 7 July 2016

Print name: Geoff Brayshaw

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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