

## QUARTERLY REPORT

30 JUNE 2017

### COMPANY OVERVIEW

Poseidon Nickel Limited is an ASX listed company focussed on developing its nickel assets in Western Australia. The Company has two nickel sulphide concentrators and six independent mines, all 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 has a proven track record in discovering new ore bodies, securing existing operations and applying a novel and inventive approach to unlocking capital. This has been demonstrated by the discovery of lithium on our wholly owned tenements at Lake Johnston and the ability to reinvent our processing plants to recover minerals in addition to nickel, copper and cobalt providing an exciting opportunity to enhance value to shareholders through commodity diversification.

The Company's vision is to redevelop its existing mines, recommission the process plants and restart production, build on its exploration success and acquire long life strategic assets with the aim of becoming a major diversified resource company managed by an experienced management team. The Company initially plans to restart operations at Silver Swan when the nickel market improves. This will be followed by Black Swan, Lake Johnston and Windarra.

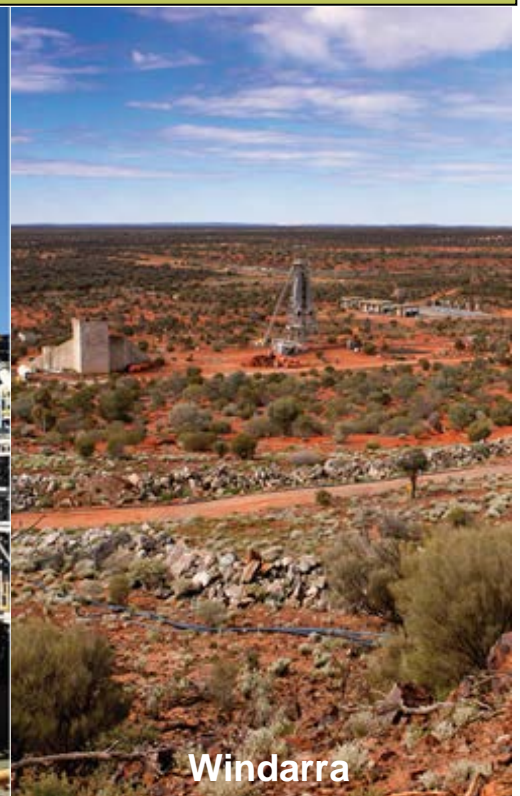
ASX Code: POS



Lake Johnston



Black Swan



Windarra

**COMPANY MILESTONES**

- Poseidon enters into an MOU with Aphrodite Gold to process gold at Black Swan
- Silver Swan Definitive Feasibility Study completed
- Windarra Gold Rights Agreement with GTI Resources lapsed
- Lake Johnston Kidman option

**OVERVIEW**

The Company continues to focus on developing opportunities that can add value by utilising existing infrastructure and has entered into a non-binding Memorandum of Understanding (MOU) with Aphrodite Gold Limited (Aphrodite) (the Parties) to process gold ore at the Black Swan processing operations. Further details of the MOU are provided below.

This further establishes the commitment of the Company to extract value from its assets during the prolonged period of low nickel prices and as Poseidon has already demonstrated in an option agreement with Kidman Resources for the lease of the Lake Johnston processing operations for lithium.

During the quarter, the Company has also completed the Definitive Feasibility Study (DFS) for the restart of mining operations at Silver Swan as anticipated which demonstrates a robust project with a breakeven nickel price requirement of US\$4.63/lb that will allow Poseidon to take early advantage of an improving nickel market when this occurs. Further details on the outcomes of the DFS are provided below.

**BLACK SWAN GOLD UPDATE**

On 10 July 2017 the Company announced a non-binding MOU to process gold ores at Black Swan. The proposal is for Poseidon to farm in the Black Swan Operations and Aphrodite their gold tenements, into a special purpose vehicle (SPV or NewCo) in a 50:50 joint ownership structure.

Poseidon plans to use existing plant and infrastructure at Black Swan to facilitate a transition to becoming a major gold producer in the highly prospective Goldfields region. Black Swan offers a low capital cost entry into the gold market and could exploit the concentrator's unique ability to process both oxide and refractory gold ores.

The Black Swan Operations, expanded in 2005 by LionOre at a capital cost of over \$70 million, (shown below in Figure 1) is a 2.2 million tonne per annum (Mtpa) processing facility that includes a conventional SAG mill, 5 ball mills, 2 flotation circuits, multiple thickeners, 3 ceramic filters and a large concentrate storage shed. With the addition of a carbon in leach (CIL) circuit the process plant is capable of processing nickel, oxide and refractory gold ores. The process is controlled remotely via a central control centre.

Black Swan has been on care and maintenance since 2009 following the global downturn. The Black Swan tenements, mines, plant and equipment remain in good standing. An aerial view of the Black Swan Operations is shown below in Figure 2.



Infrastructure at Black Swan include, existing tailings disposal cells, a borefield and water treatment plant, large mine workshop and maintenance facilities, administration buildings, functional laboratory and metallurgical laboratory, plant stores and workshop areas, medical centre and emergency response control centre. The site is connected to the South West Interconnected System (SWIS) electricity supply.

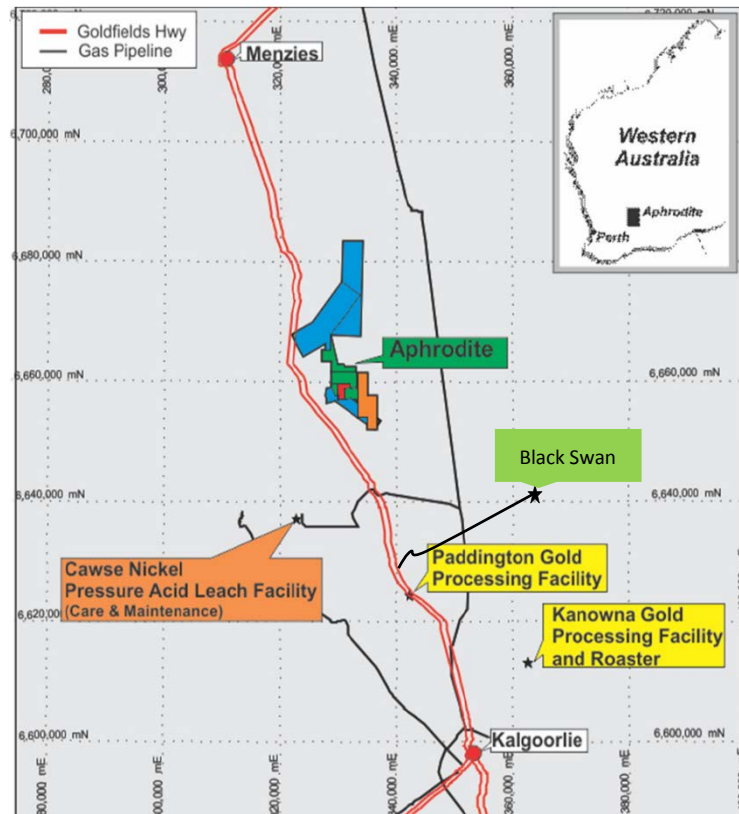


**Figure 1: Aerial View of Black Swan Operations**



**Figure 2: Black Swan Grinding Circuit (10MW of installed power)**

Aphrodite's gold tenements are located approximately 65 kilometres trucking distance from the Black Swan process plant run of mine (ROM) stockpiled ore. Discussions with the relevant key stake holders will be progressed to ensure appropriate approvals are secured well in advance of first ore deliveries to support mining at Aphrodite and processing at Black Swan. Figure 3 below highlights the location of Aphrodite's gold tenements relative to the Black Swan Operations.



**Figure 3: Aphrodite Gold Tenements Relative to Black Swan**

Aphrodite recently released the results from the prefeasibility study (PFS) for the development of the open pit mine and installation of a gold processing facility to be constructed on their tenements (refer to AQQ: ASX announcement 27 June 2017). The plant and equipment included a concentrator, followed by a CIL circuit. The PFS capital and operating cost to process Aphrodite gold via a conventional gravity, CIL circuit including all infrastructure was \$81 million and \$38/t respectively.

In 2014 Poseidon completed an engineering study (refer to POS:ASX announcement 13 August 2014) for the restart of the Black Swan Operations. The refurbishment capital was estimated to be approximately A\$12.8M (GR Engineering) and the capital cost to install a CIL circuit is estimated at A\$8M for a 1.5Mtpa operation (Como Engineering). If Black Swan is only operated at 1.5Mtpa the SAG mill will be modified to operate in closed circuit and the ball mill will be bypassed.

The Black Swan open pit ore rock hardness was 30kWhr/t however Aphrodite's ore is typically less than 20kWhr/t therefore the Black Swan facility is likely to be able to process over 2Mtpa of gold ore. Consequently, work is progressing with local gold explorers and miners to source supply of gold ore to increase the plant throughput and further reduce operating costs.

In stage 1 gold concentrate produced at Black Swan would be sold initially to third party refiners via an offtake agreement however the Parties are planning to progress the installation of a POX circuit at a later stage funded from cash flows. Developing the Project in 2 stages supports early cash flow by refurbishing the existing Black Swan Operations to treat Aphrodite's gold ores. To that end discussions are progressing with offtake parties for the gold concentrate. Gold production could start within 12 months of financing. For the detailed terms of the MOU, please refer to the ASX announcement dated 10 July 2017.

In stage 2 the gold concentrate produced would be processed via a pressure oxygen (POX) leach whereby the sulphides are oxidised, the slurry is then neutralised prior to a conventional CIL circuit to recover gold. Typically more than 90% of the gold is recovered. This will establish a central and unique refractory gold processing facility within the Goldfields. As the discovery of oxide orebodies slows in and around the Goldfields area the importance of refractory orebodies will grow as a significant source of known gold resources remaining. Therefore establishing a refractory gold processing facility is an important strategic decision. Poseidon has over 10 years of operating "in-house" POX expertise for the processing of concentrates and would be pleased to join with Aphrodite to construct the first POX plant in the Kalgoorlie region.

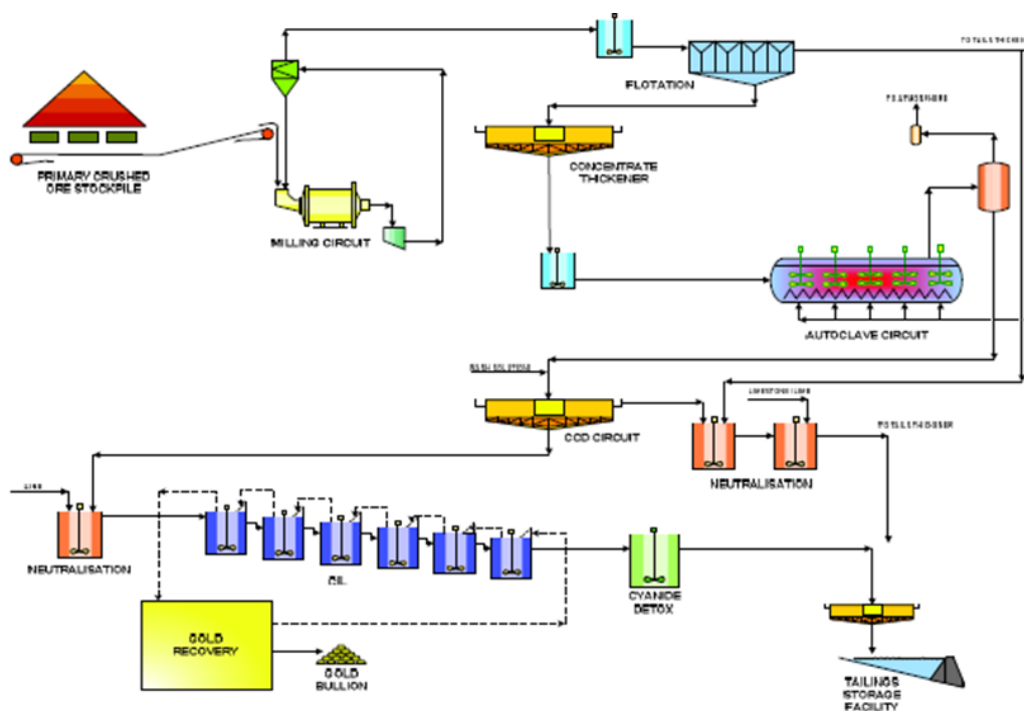


Figure 4: Simplified POX Flowsheet

The Parties intend to progress a detailed feasibility study (DFS) with a suitably experienced engineering subcontractor to begin the integrated design at Black Swan. The DFS will underpin the future funding of the Project. Regulatory approvals will also be progressed in parallel to allow early engagement with key stake holders. Further gold exploration will also be progressed both on Aphrodite's tenements and some "hot spots" for gold on the Black Swan tenements will also be reviewed.

Entering into an MOU to process gold ores from Aphrodite's gold tenements is consistent with the Company's strategy of establishing Black Swan, with all of its existing plant and infrastructure, as the first refractory gold POX facility within the Goldfields region whilst maintaining its nickel processing capability thereby improving the overall project economics.

## SILVER SWAN NICKEL UPDATE

On 26 May 2017, the Company announced the outcomes of the DFS for the Silver Swan high grade underground nickel mine.

The DFS results were drawn from the engineering work undertaken by MineGeotech Pty Ltd and Beck Engineering Pty Ltd (geotechnical studies) and Entech Pty Ltd (mining method, life of mine schedules, mining costs & mine capital development costs). Mining costs are estimated at +/- 15% level of accuracy and sourced from budget estimates supplied to Entech by mining contractors.

The DFS demonstrates strong economic fundamentals due to the high grade nature of the underground nickel mine and low capital intensity, resulting in an all-in-sustaining cash costs including capital of US\$3.10/lb. The breakeven nickel price is US\$4.63/lb on an undiscounted basis. First ore can be delivered in less than 9 months from financing the project with pre-production and working capital of A\$25.0m.

The project has an initial 2 year mine life for 147Kt of ore and 8.8Kt of contained nickel and an underground mine diluted Ore Reserve of 3.3kt of contained nickel, grading 5.8% nickel, 0.1% cobalt & 0.3% copper. There is also the potential to add significant upside through Silver Swan Deeps, Black Swan Open Pit plus stockpiled ore, combined with Windarra & Cerberus which could increase the project mine life for a minimum of 7 years

Key Production Physicals	
Life of Mine (LOM)	~2 years
Ore Tonnes Mined	147Kt
Ore Tonnes Delivered to surface	73,000t per year
ROM diluted nickel head grade	6%
Nickel metal	8.8Kt

Table 1: Key Production Physicals

Project Commercial Metrics	
Revenue <sup>1</sup>	\$120.7m
C1 Cash Costs <sup>2</sup>	US\$2.05/lb-Ni
All in Sustaining Cash Costs (AISC) <sup>3</sup>	US\$3.10/lb-Ni
Breakeven Nickel Price	US\$4.63/lb-Ni
Net Cash Flow (Pre-Tax basis)	\$34.7m
Pre-Tax NPV <sub>10</sub>	\$27.8m
IRR	204%

Table 2: Project Commercial Metrics

<sup>1</sup> Unless otherwise stated, all cash flows are in Australian dollars and not subject to inflation or escalation factors. A nickel price of US\$6.50/lb has been assumed and an exchange rate of AUD:USD of 0.70.

<sup>2</sup> C1 cash costs means operating cash costs including mining, processing, geology, OHSE, site G&A, concentrate transport, royalties, less by-product divided by nickel in concentrate produced (100% payable basis).

<sup>3</sup> All-in-sustaining cash costs are C1 cash costs plus mine development and sustaining capital.

**Cautionary Statement:** The production target and financial forecasts derived from the production targets in the announcement dated 26 May 2017 are based on the Company's Ore Reserve estimates as detailed in Table 3 (which underpin 37% of the target and forecast) with the remainder underpinned by a lower level of geological confidence with Inferred Resources as detailed in Table 4 of the announcement and stated material assumptions disclosed in Attachment A (refer Silver Swan Ore Reserve Estimate).



The Company will need to secure new funding in order to achieve the stated financial outcomes. This funding may be raised via debt and/or equity, depending upon market conditions at the time. An equity raising will result in dilution of existing shareholders, the quantum of which will depend on the amount of any equity funding raised. The need for an equity raising has not yet been determined.

#### **WINDARRA GOLD RIGHTS AGREEMENT**

GTI Resources (GTI) did not pay the first consideration amount of \$975,000 due under the Deed by 28 May 2017 therefore the Company and GTI mutually agreed to terminate the Deed.

#### **LAKE JOHNSTON LITHIUM OPTION**

Poseidon is aware of the recent Kidman Resources ASX releases. The Company is unaware if Kidman will exercise the option to lease the Lake Johnston plant before it expires on 31 August 2017.

Poseidon is however pro-actively assessing alternative options for Lake Johnston including processing pegmatites from our Lake Johnston or adjacent tenements. Weather permitting the Company plans to accelerate its drilling programme at Lake Johnston.

#### **FINANCIAL**

As at 30 June 2017, the Company had cash on hand of A\$1.6 million. For the June quarter, the Company has elected to settle the interest due to Jefferies LLC for the Convertible Note in shares in order to preserve cash reserves.

The Company continues 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 \$1.5 million after fees during the quarter.

#### **CORPORATE**

The Company continues to explore opportunities that are aligned to its core strengths in securing assets in a counter cyclical market. Several opportunities both domestic and international were reviewed during the quarter.

In line with Poseidon's policy to only pay Directors fees in performance rights in order to retain the cash reserves of the Company, 1,677,768 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 10 January 2017 at a deemed issue price of A\$0.0435 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 12 October 2016.

A further 1,307,446 Unlisted Performance Rights were issued to the Chairman in relation to additional part time duties undertaken in the absence of a CEO for the quarter to March as approved by shareholders at the Annual General Meeting held on 12 October 2016.

The Company issued 6,662,794 Fully Paid Ordinary Shares to Jefferies LLC having elected to settle interest payable on the US\$17.5 million Convertible Note in shares for the March quarter.

The Company also issued 20,000,000 Fully Paid Ordinary Shares to professional and sophisticated investors, via an intermediary, in order to fund ongoing studies for Black Swan, lithium and care and maintenance programs across all sites.

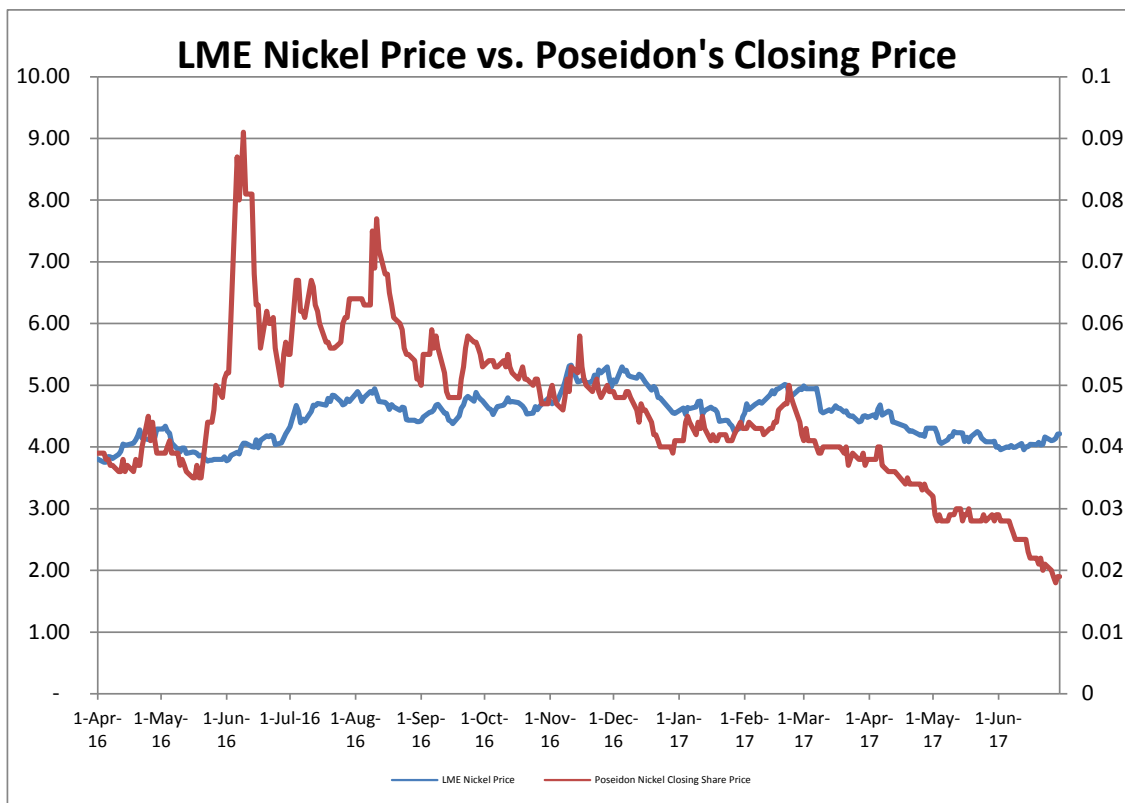
**MARKET INFORMATION**

Figure 6 below shows the underlying correlation between Poseidon’s share price and the LME Nickel price over the last 18 months.

The nickel market remains depressed following the changes to Indonesian law with the partial lifting of the direct shipment of nickel laterite ore and the removal of Gina Lopez as the Philippines Environmental Minister. In late 2016, most analysts were predicting 50 thousand tonne deficit between production and consumption in 2017 and 2018 would see a 100 thousand tonne deficit. More recently, with the increase in nickel laterite direct shipped ore from mainly stockpiled ore, the forecast deficits are now thought to have evaporated.

Given these changes and without further cut backs in nickel production, it is likely the nickel market will remain in the doldrums for the short to medium term with prices expected to remain within the US\$4/lb-Ni range. At these prices more than 60% of the world’s primary nickel remains loss making, a situation that cannot persist into the future.

The nickel market is unlikely to recover until there is an increase in demand for refined nickel likely to coincide with the green energy revolution and rise of the electric vehicle where future demand for refined nickel will begin to impact on LME stockpiles.



**Figure 6:** Poseidon share price graph compared to LME Nickel price

**Chris Indermaur**  
Chairman

14<sup>th</sup> July 2017



## **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](mailto: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**

Unit 8, Churchill Court  
331-335 Hay Street  
SUBIACO WA 6008  
P: 61 8 6167 6600  
F: 61 8 6167 6649

### **Registered Office**

Level 2, Spectrum  
100 Railway Road  
SUBIACO WA 6008  
P: 61 8 9367 8133  
F: 61 8 9367 8812

### **Media Enquiries**

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F: 61 8 6167 6649  
E: [admin@poseidon-nickel.com.au](mailto:admin@poseidon-nickel.com.au)

### **Home Exchange**

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

## MINERAL RESOURCE STATEMENT

Table 1: 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)	Co% Grade	Co Metal (t)	Cu% Grade	Cu Metal (t)
<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	0.01	4,200	NA	-
Silver Swan	2012	4.50%	52	9.19	4,800	84	9.01	7,600	136	9.08	12,400	0.17	250	0.45	600
<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	0.05	1,800	0.10	3,400
<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	0.03	1,200	0.13	5,700
South Windarra	2004	0.80%	772	0.98	8,000	-	-	-	772	0.98	8,000	NA	-	NA	-
Cerberus	2004	0.75%	2,773	1.25	35,000	1,778	1.91	34,000	4,551	1.51	69,000	NA	-	0.08	3,600
<b>TOTAL</b>															
Total Ni, Co, Cu Resources	2004 & 2012		16,720	1.01	168,700	27,300	0.82	223,200	44,020	0.89	391,900	0.05	7,450	0.10	13,300

Note: totals may not sum exactly due to rounding

NA = information Not Available from reported resource model.

The Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.

Table 2: 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 3: Nickel Project Ore Reserve Statement**

Nickel Sulphide Reserves	JORC Compliance	ORE RESERVE CATEGORY						
		PROBABLE						
		Tonnes (Kt)	Ni% Grade	Ni Metal (t)	Co% Grade	Co Metal (t)	Cu% Grade	Cu Metal (t)
<b>SILVER SWAN PROJECT</b>								
Silver Swan Underground	2012	57	5.79	3,300	0.11	60	0.26	150
<b>TOTAL</b>								
Total Ni Reserves	2012	57	5.79	3,300	0.11	60	0.26	150

Note:

Calculations have been rounded to the nearest 10,000 t of ore, 0.01 % Ni grade 100 t Ni metal and 10t of cobalt metal.

### **COMPETENT PERSON STATEMENTS:**

The information in this report that relates to Exploration Results is based on, and fairly represents, 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 Black Swan Mineral Resource is based on, and fairly represents, information compiled by Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd. The information in this report which relates to the Black Swan Ore Reserve is based on, and fairly represents, information compiled by Matthew Keenan who is a full-time employee of Entech Pty Ltd. Both are Members of the Australasian Institute of Mining and Metallurgy.

The information in this report which relates to the Silver Swan Mineral Resource is based on, and fairly represents, 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 which relates to the Silver Swan Ore Reserve is based on, and fairly represents, information compiled by Matthew 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 Lake Johnston Mineral Resource is based on, and fairly represents, 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, and fairly represents, 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 that relates to Mineral Resources at the Windarra Nickel Project and Gold Tailings Project is based on, and fairly represents, 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 Windarra Project contains Mineral Resources which are reported under JORC 2004 Guidelines as there has been no Material Change or Re-estimation of the Mineral Resource since the introduction of the JORC 2012 Codes. Future estimations will be completed to JORC 2012 Guidelines.

Mr Hutchison, Mr Glacken, Mr Weeks, and Mr Keenan 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 Weeks, and Mr Keenan have consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

**TENEMENTS**

**Mining Tenements Held as at 30 June 2017**

<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, G63/0008, 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, E63/1784, E63/1811, E63/1812	100%
- Black Swan Nickel Assets	E27/0357, M27/0039, M27/0200, M27/0214, M27/0216, L27/0057, L27/0058, 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 2017 Quarter**

Nil

**Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements during the June 2017 Quarter**

Nil

**Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements Acquired or Disposed of during the June 2017 Quarter**

Nil



## Appendix 5B

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

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

Poseidon Nickel Limited

**ABN**

60 060 525 206

**Quarter ended ("current quarter")**

30 June 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,062)	(4,529)
(b) development	-	-
(c) production	-	-
(d) staff costs	(167)	(619)
(e) administration and corporate costs	(212)	(1,135)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	19
1.5 Interest and other costs of finance paid	(34)	(660)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	544
1.8 Other – sundry income	47	256
– option fee for Lake Johnson	-	500
– option fee for Windarra Gold	-	125
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,424)</b>	<b>(5,499)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(8)	(61)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	100	210
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>92</b>	<b>149</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	1,066	3,955
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(12)	(63)
3.5 Proceeds from borrowings	35	157
3.6 Repayment of borrowings	(48)	(109)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>1,041</b>	<b>3,940</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,911	3,030
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,424)	(5,499)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	92	149
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,041	3,940

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,620</b>	<b>1,620</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	1,609	1,901
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other – Term Deposits	11	10
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,620</b>	<b>1,911</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
-
-

On 7 April 2017, 2,985,214 unlisted performance rights were issued to Non-Executive Directors as approved by Shareholders at the October 2016 Annual General Meeting. For further details refer to the Appendix 3B announcement released on 7 April 2017.

These have not been included in the above cash flow.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	US\$17,500	US\$17,500
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Unsecured Convertible Note held by Jefferies LLC – interest rate of 5% per annum, denominated in US\$ and repayable on 30 September 2020 with a conversion price of AU\$0.09 per share.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Exploration and evaluation	1,100
9.2 Development	-
9.3 Production	-
9.4 Staff costs	200
9.5 Administration and corporate costs	300
9.6 Other (provide details if material)	
<b>9.7 Total estimated cash outflows</b>	<b>1,600</b>

10. <b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			



### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Director)

Date: 14<sup>th</sup> July 2017

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.