

Corporate Directory

ASX Code: POS
Shares on Issue: 2.64B
Share price: 0.028
Market Cap: ~\$75M
Cash & equivalents at 30 June 2020:
\$45.2 million

Board of Directors

Non-Executive Chairman
Derek La Ferla

Non-Executive Directors
Felicity Gooding
Dean Hildebrand

Managing Director & CEO
Peter Harold

CFO & Joint Company Secretary
Brendan Shalders

Joint Company Secretary
Andrea Betti

Key Shareholders

Black Mountain Metals: 20.8%
Squadron Resources: 17.1%

Key Nickel Assets (100%)

Black Swan/Silver Swan
Lake Johnston
Windarra

Principal & Registered Office

Unit 8 Churchill Court
331-335 Hay Street
Subiaco 6008
Western Australia

T: +61 8 6167 660
F: +61 8 6167 6649

E: admin@poseidon-nickel.com.au
W: www.poseidon-nickel.com.au

QUARTERLY REPORT 30 JUNE 2020

HIGHLIGHTS

BLACK SWAN/GOLDEN SWAN

DRILLING

- Maiden drill hole confirmed high grade Ni-Cu-Co massive sulphides at Golden Swan within the Black Swan channel, adjacent to high-grade Silver Swan orebody
- The intercept averaged 4.0% Ni over 23.1m, including a high-grade component of 2.1m that averaged 15.9% Ni.

SAFETY WORKS – SILVER SWAN

- Recommencement of safety works on underground ladderways progressed without incident (currently ~85% complete) support future underground activities including future drilling campaigns

WINDARRA

JORC 2012 GOLD TAILINGS RESOURCE UPDATE

- 105,000oz Indicated Mineral Resource from 4.55 Mt @ 0.72 g/t Au in North and South Dams at Windarra now classified under JORC 2012
- 74,000oz Indicated Mineral Resource in Central Dam
- Resources reviewed and re-classified from JORC 2004

GOLD TAILINGS PROJECT

- Prefeasibility study demonstrated potential to produce circa 44,000 oz gold with low technical risk, utilising low-cost hydraulic mining and conventional CIL processing
- Net operating cashflows of \$30 million (based on A\$2,500/oz gold price)
- Attractive AISC for Project life of A\$1,291/oz recovered
- Net Present Value (NPV₈) of \$23 million and IRR of 62%
- Modest development capital of \$25 million, payback 15 months
- Definitive Feasibility Study now proceeding

CORPORATE AND FINANCIAL

- Geoff Brayshaw and Karl Paganin stepped down as Non-Executive Directors effective 30 June 2020; appointment of Dean Hildebrand as Non-Executive Director (effective 1 July 2020)
- Strong financial position with cash and current investments totalling \$45 million at 30 June 2020

Poseidon Nickel (ASX: POS, “the Company”) is pleased to report on its activities for the June Quarter 2020.

CEO and Managing Director Peter Harold commented,

“Poseidon has continued exploration activities at Golden Swan after delays caused by COVID-19 restrictions. As reported in April 2020, our maiden drill hole into Golden Swan intersected excellent grades and widths of nickel sulphide mineralisation accumulating on the Black Swan channel floor. The intercept averaged 4.0% Ni over 23.1m, including a high-grade component of 2.1m that averaged 15.9% Ni.

Down hole electromagnetics (DHEM) was used to identify the Golden Swan target and will continue to be utilised going forward. In addition, a fixed underground EM loop is in the process of being installed in the Silver Swan workings which should improve the quality of DHEM survey data we receive and allow us look for possible extensions to Golden Swan and other EM targets within or in the vicinity of the Black Swan channel.

We also completed the Windarra Gold Tailings Prefeasibility Study during the quarter and updated the Windarra gold tailings Resources so that they are compliant with the JORC 2012 standard.

The Prefeasibility Study of the Windarra Gold Tailings project, located on our Windarra ground near Laverton WA, demonstrated the potential to produce approximately 44,000 oz of gold over a 39-month period, utilising low-cost and low-risk mining and a conventional CIL processing flowsheet. The Study determined a capital requirement of \$25m and free cash of \$30m being generated at a gold price of a\$2,500, which supported a decision to undertake a Definitive Feasibility Study. This Study is expected to be completed during the December 2020 quarter.

On the Corporate front as part of a Board restructure, Poseidon welcomed Mr Dean Hildebrand as the nominee Non-Executive Director for Black Mountain Metals Pty Ltd, a significant shareholder of the Company, effective 1 July 2020. Mr Geoff Brayshaw retired from the Board as a Non-Executive Director after 12 years and Non-Executive Director, Karl Paganin resigned from the Board, both effective 30 June 2020. On behalf of the board and shareholders I thank both Geoff and Karl for their respective contributions to Poseidon.”

DRILLING – GOLDEN SWAN

The maiden diamond drill hole at Golden Swan intersected massive nickel sulphide mineralisation on the base of the Black Swan channel 900m below surface (See Figure 1 and ASX release *Exceptional grades received at Golden Swan* dated 14 April 2020). The assay results from the first drill hole into Golden Swan are summarised in Table 1.

Geology	From	To	Interval	True Width	Ni%	Cu%	Co ppm	As ppm	MgO%	S%
Total Massive + Disseminated	740.2	763.35	23.15	13.3	3.99	0.37	778	406	17.8	8.81
Massive + Stringer Sulphides	740.2	747.75	7.55	4.3	8.82	0.68	1633	425	8.69	20.98
Massive Sulphide Only	743.65	745.75	2.1	1.2	15.86	0.52	2819	445	2.18	34.11
Upper Matrix Sulphide	761.55	762.45	0.9	0.5	6.52	2.04	1750	700	9.60	10.48

Table 1: Composite assay results from PBS0029A

The Company continued exploration activities at Golden Swan which included both drilling and further DHEM surveys. A platform EM hole has been drilled adjacent to Golden Swan to test the potential down plunge extension and a second hole aimed at intersecting Golden Swan, above the first intersection, is currently underway.

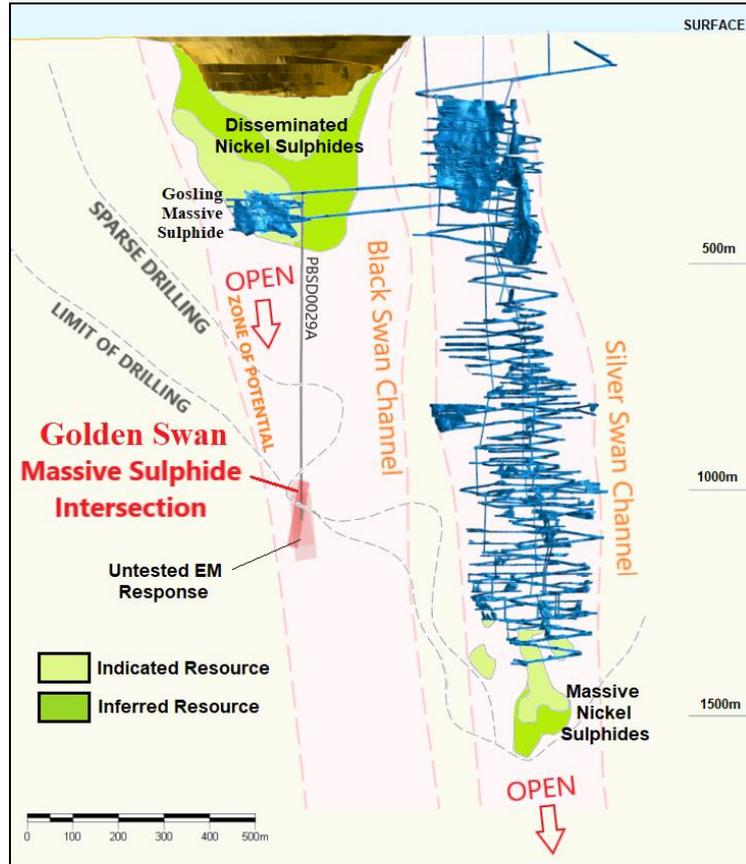


Figure 1: Long section showing the Golden Swan massive nickel sulphide intersection and associated EM response within the Black Swan channel.

The Company is in the process of installing a permanent underground EM loop at Silver Swan which will be used to assist in determining the potential extent of the Golden Swan mineralisation and explore for other massive sulphide orebodies which may exist in the Black Swan Channel or in the vicinity. The proposed path of the underground loop is shown in blue in Figure 2 below.

The loop will utilise existing decline, ventilation and escape rise development within the Silver Swan workings. The alleviation of surface noise and overburden conductive effects by situating the loop underground will markedly increase the sensitivity and accuracy of DHEM surveys conducted at depth. A program to re-survey historical holes using modern equipment is also being planned and costed.

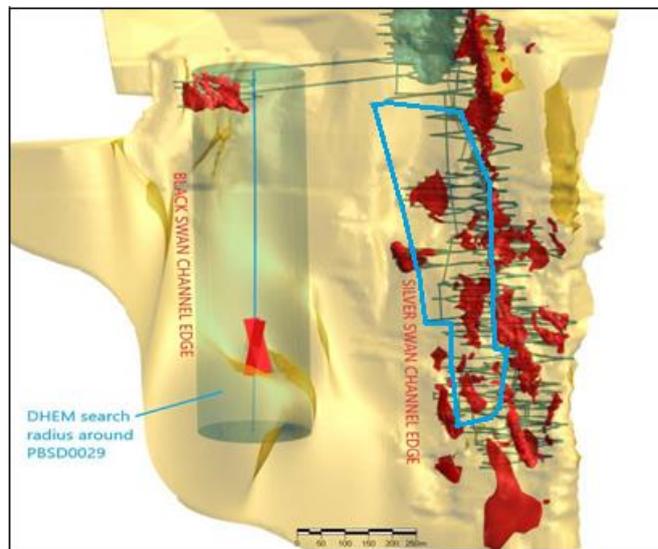


Figure 2: Depicting the DHEM search radius around PBSD0029 utilising the underground EM loop

The Company will continue to release details of the results of drilling and additional DHEM surveys as they come to hand.

BLACK SWAN SAFETY WORKS

The Silver Swan underground escapeway ladder refurbishment program progressed without incident. Work was suspended during April 2020 due to the rapidly changing situation in relation to the COVID-19 pandemic. New protocols and procedures enabled restart of these works in early June 2020.



Figure 3: Silver Swan escapeway ladder refurbishment program

RESPONSE TO COVID-19

Like many other resource companies, Poseidon implemented a variety of protocols and measures in response to COVID-19 during the quarter to ensure the safety and wellbeing of all Poseidon employees and contractors as well as safeguarding the assets of the business.

The Company suspended safety works and ongoing drilling activities at Black Swan (including the associated geophysics programs) until protocols were designed and introduced, in consultation with contractors, to ensure that all activities undertaken, including travel and accommodation, could be conducted within the safe operating parameters as per the WA Government requirements.

WINDARRA GOLD TAILINGS PRE-FEASIBILITY STUDY

During the quarter, the Company completed and announced to the ASX on 22 June 2020, positive outcomes of the Pre-Feasibility Study for the Windarra Gold Tailings Project (**Gold PFS**).

Location

The Project is located 720 km northeast of Perth, 260 km north northeast of the major mining town of Kalgoorlie, and about 18 km northwest of Laverton. It is serviced by sealed roads from Kalgoorlie via Leonora to Laverton (See Figure 4).

Resources

The Project Mineral Resource used for the Gold PFS, comprised approximately 4.55 million tonnes of gold tailings averaging 0.72 g/t gold and 1.6 g/t silver, being both the North and South tailings dams at Windarra (see Figure 5). The underlying Resources were upgraded to be compliant with JORC and were released on ASX on 22 June 2020 *Gold Tailings Resource at Windarra updated to JORC 2012*.

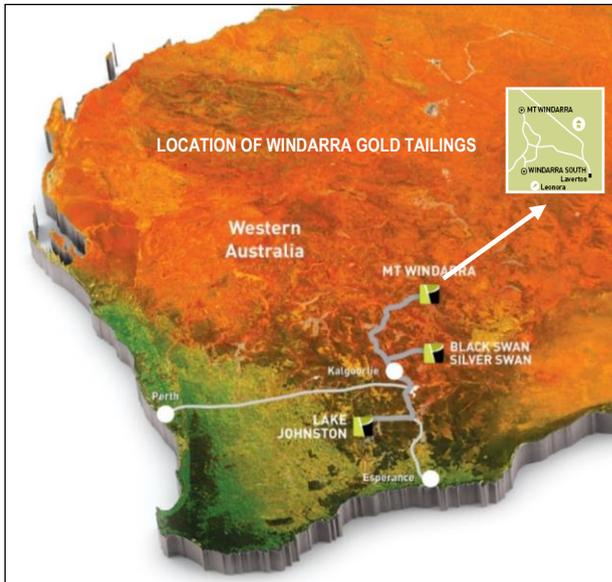


Figure 4: Location of Windarra Gold Tailings Project site



Figure 5: Location of the Tailings Dams at Windarra

Physicals

The gold production profile in the Gold PFS was based on the phased approach with mining and processing being undertaken over a 39-month period and assumed an average metallurgical recovery of 42.3% to generate total gold production of 44,378oz over the Project life.

The monthly anticipated tailings mining and processing tonnage profile together with the corresponding tailings gold head grade is summarised in Figure 6.

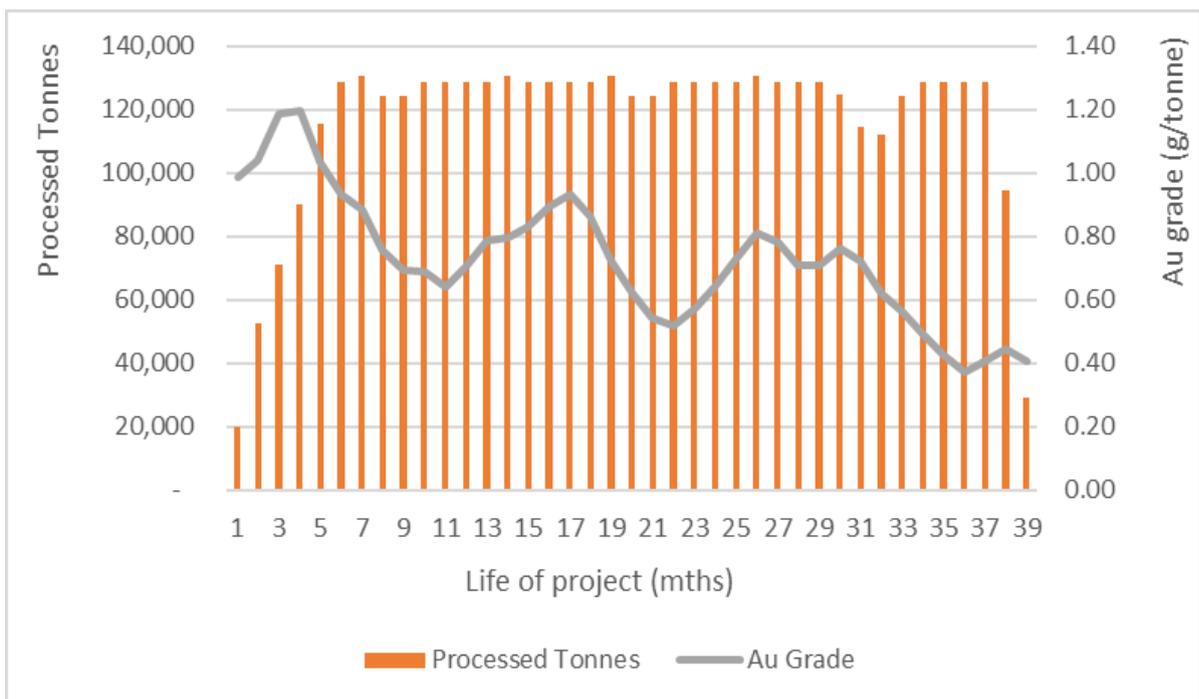


Figure 6: Production profile of the Gold Tailings Project

Estimated Operating and Capital Costs

Poseidon engaged two well recognised and independent, Western Australian based engineering companies to determine a suitable flow sheet and provide estimated operating and capital cost estimates for a fit for purpose operating plant and associated infrastructure. Mining costs were obtained from an experienced hydraulic mining contractor. Key operating costs by key cost category are shown in Table 2.

Operating Cost Summary		
	Total cost (A\$ millions)	Unit cost (A\$/oz produced)
Mining Costs	15.1	340
Processing Costs (inc Refining)	23.7	530
Power	5.8	131
G&A/Maintenance	9.1	205
Total operating expenditure (C1 costs)	53.7	1,209
Royalty	2.8	63
Sustaining capital	0.8	18
All-in sustaining costs (AISC costs)	57.3	1,291

Table 2: Estimated operating cost summary

Capital costs were compiled from estimates for similar projects considered by the engineering firms engaged for the Gold PFS. The costs assumed all new equipment. The development capital costs are summarised in Table 3.

Capital cost Summary (A\$ millions)	
Processing facility	15.1
Carbon stripping / gold room	3.1
Other	
Tailings facility	3.4
First fills, warehousing & critical spares	0.7
Hydraulic mining equipment	1.4
Pre-strip mining	0.6
Owners costs	0.3
Total capital cost	24.6

Table 3: Estimated capital development cost

Economic Overview

The key physical and economic metrics from the Prefeasibility Study, including the cost assumptions (calculated in Australian Dollars (A\$)) are summarised in Table 4.

Project physicals and key economic metrics	
Contained gold in resource	105,000oz
Metallurgical recovery	42.3%
Gold production target ¹	44,400oz
Revenue ²	\$112.3M
Development capital cost	\$24.6M
Max cash drawdown	\$25.3M
Net cash flow	\$30.4M
Pre-tax NPV ₈	\$22.8M
IRR	62.4%
Payback period (from commencement of production)	15 months
Unit cost analysis	
C1 cash cost ³	\$1,209/oz recovered
AISC cash cost ⁴	\$1,291/oz recovered
Breakeven cost ⁵	\$1,846/oz recovered

Table 4: Key project physical and economic metrics

Key Assumptions

1. Target Gold Production – assumes 100% mining recovery of Mineral Resource under the hydraulic mining scenario.
2. A gold price of US\$1,625/oz has been assumed and an exchange rate of A\$:US\$ of 0.65. Revenue includes \$1.4M of assumed silver credits which are produced as a by-product of the gold tailings retreatment process.
3. C1 cash costs mean operating cash costs including mining, processing, geology, OHSE, project G&A, smelter and refining, divided by gold produced. Excludes development and sustaining capex, royalties and corporate overheads.
4. All-in-sustaining cash costs are C1 cash costs plus royalties and sustaining capital. Excludes development capital and corporate overheads.
5. Includes AISC plus development capital.

Definitive Feasibility Study

Based on the positive findings from the Gold PFS the Poseidon Board approved the undertaking of a Definitive Feasibility Study (DFS) which has commenced and is scheduled for completion early in the December 2020 quarter. A key component of the DFS will be conducting additional metallurgical testwork to optimise the average gold recovery over the project life.

EXPLORATION UPDATE

During the quarter the Company hosted several geology workshops to review and rank the prospectivity of the Company's ground holdings across all three sites. Workshop participants included a number of highly experienced geological consultants and contractors, geologists representing our two major shareholders together with Poseidon geological personnel and other senior members of Poseidon's management team.

The general consensus of the group was that Poseidon holds some of the most prospective nickel tenure in the Goldfields. Exploration work programs coming out of the group's ranking and targeting process are currently being developed and will be implemented as part of the Company's exploration strategy going forward. Whilst Golden Swan will be the immediate exploration focus, further work at Windarra and Lake Johnston will also feature in future programs. These programs will be implemented as and when the necessary approvals are obtained.

FINANCIAL

As at 30 June 2020, the Company had cash and current investments totalling \$45.2 million.

Over the previous quarter, Poseidon's net cash outflow from operating activities totalled \$3.3 million. Expenditures included \$2.4 million of exploration and evaluation costs, of which \$0.8 million was spent progressing the Black Swan safety works, \$0.6 million on exploration activities and \$0.1 million on the Windarra gold tailings project. Quarterly expenditure of \$3.3 million was underbudget compared to the forecast of \$3.8 million.

There were no production or development activities conducted over the quarter and as such no production or development expenditures incurred.

Related party expenses over the quarter totalled \$0.4 million:

- \$0.3 million paid to major shareholder Black Mountain Metals (**BMM**) for interest incurred on the BMM held convertible note facility;
- \$10,000 paid to BMM for consultancy services provided to Poseidon with regards to technical studies conducted on Poseidon's mining assets; and
- \$92,000 fees paid to Directors.

Poseidon has forecasted expenditure of \$5.3 million over the following quarter, of which \$0.7 million is to finalise the underground ladderway refurbishment works, \$1.4 million on the Golden Swan exploration program, \$0.3 million on progressing studies on the Windarra gold tailings project and \$0.2 million of one-off restructuring costs which will generate \$0.4 million annual savings.

The US\$17.5 million convertible note held with BMM matures on 30 September 2020. The Company appointed an advisor at the beginning of 2020 and has held discussions with numerous parties, including BMM, to consider a replacement financing facility. Current developments indicate it is highly likely the BMM-held convertible note will be repaid at maturity, without a replacement financing facility. The Company has mitigated foreign exchange risk on this repayment with payment of A\$25.1 million forecasted at maturity.

Poseidon continues to assess its ongoing funding requirements and will carry on engaging with potential financiers in parallel with progressing projects, in particular the Black Swan restart and Windarra gold tailing project.

CORPORATE

As part of a Board restructure, Poseidon welcomed Mr Dean Hildebrand as the nominee Non-Executive Director for Black Mountain Metals Pty Ltd, a significant shareholder of the Company, effective 1 July 2020.

Mr Geoff Brayshaw retired from the Board as a Non-Executive Director after 12 years with the Company and Non-Executive Director Karl Paganin resigned from the Board, both effective 30 June 2020. The Board and team at Poseidon thank Geoff and Karl for their contribution, passion and commitment to the Company during their time as directors.

OTHER

There were no material changes in mineral tenement during the period (as shown in Appendix 4).

This Quarterly Activities Report was authorised for release by the Poseidon Board of Directors.



Peter Harold
Managing Director and CEO

16 July 2020

For further information contact Peter Harold: + 61 (0)8 6167 6600.

About Poseidon Nickel Limited

Poseidon Nickel Limited (ASX Code: POS) is a nickel sulphide development and exploration company with three projects located within a radius of 300km from Kalgoorlie in the Goldfields region of Western Australia and a resource base of around 400,000 tonnes of nickel and around 180,000 ounces of gold.

Poseidon's strategy is focused on the exploration and eventual restart of its established nickel operations in Western Australia where project risk capital and operating costs are low. A critical element of this strategy has been to acquire projects and operations with high levels of geological prospectivity likely to lead to potential substantial extension of the operation's life through the application of modern exploration techniques.

Poseidon owns the Windarra Nickel Project, the Black Swan Nickel Operations and the Lake Johnston Nickel Operations. In addition to the mines and infrastructure including concentrators at Black Swan and Lake Johnston, the operations have significant exploration opportunities demonstrated by the discovery of the Abi Rose deposit at Lake Johnston and the recent discovery of the Golden Swan mineralisation at Black Swan. Management has also finalised a Prefeasibility Study for retreating the gold tailings at Windarra given the strength of that A\$ gold price.

APPENDIX 1 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)
BLACK SWAN PROJECT															
Black Swan	2012	0.40%	9,600	0.68	64,900	21,100	0.54	113,800	30,700	0.58	179,000	0.01	4,200	NA	-
Silver Swan	2012	4.50%	108	9.4	10,130	61	9.7	5,900	168	9.5	16,030	0.19	316	0.4	679
LAKE JOHNSTON PROJECT															
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
WINDARRA PROJECT															
Mt Windarra	2012	0.90%	922	1.56	14,500	3,436	1.66	57,500	4,358	1.64	72,000	0.03	1,200	0.13	5,700
South Windarra	2004	0.80%	772	0.98	7,500	-	-	-	772	0.98	7,500	NA	-	NA	-
Cerberus	2004	0.75%	2,773	1.25	34,600	1,778	1.91	34,000	4,551	1.51	69,000	NA	-	0.08	3,600
TOTAL															
Total Ni, Co, Cu Resources	2004 & 2012	-	16,775	1.03	173,530	27,275	0.81	221,300	44,049	0.90	395,530	0.02	7,516	0.03	13,379

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.

Black Swan Resource as at 22 July 2014 (see ASX announcement "Poseidon Announces Black Swan Mineral Resource" released 4th August 2014)

Silver Swan Resource as at 5 August 2019 (see ASX announcement "Silver Swan Resource Upgrade" released 5th August 2019)

Maggie Hays Resource as at 17 March 2015 (see ASC announcement "50% Increase in Indicated Resources at Lake Johnston" released 17th March 2015)

Mt Windarra Resource as at 7 November 2014 (see ASX announcement "Poseidon Announces Revised Mt Windarra Resource" released 7th November 2014)

South Windarra and Cerberus Resource as at 30 April 2013 (see ASX announcement "Resource Increase of 25% at Windarra Nickel Project" released 1st December 2011)

The Company is not aware of any new information or data that materially affects the information in the relevant market announcements. All material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

Gold Tailings Project Mineral Resource Statement

Table 2.1 Windarra Gold Tailings Project JORC2012 Mineral Resource

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)
WINDARRA GOLD TAILINGS PROJECT											
North Dam	2012	0 g/t	3,624	0.78	91,000	-	-	-	3,624	0.78	91,000
South Dam	2012	0 g/t	923	0.48	14,000	-	-	-	923	0.48	14,000
Total	2012	0 g/t	4,547	0.72	105,000	-	-	-	4,547	0.72	105,000

The Windarra Tailings estimate for North and South Dams have been reported based on the following:

- no cut-off grade has been used to report the resource, as the potential mining method dictates removal of the entire dams.
- a dry bulk in situ density of 1.60 t/m³ has been used to derive tonnages.
- Resource totals may not sum exactly due to rounding.

Table 2.2 Windarra Central Dam JORC2012 Mineral Resource

Gold Tailings Resources	JORC Compliance	Cut Off Grade	MINERAL RESOURCE CATEGORY					
			INDICATED					
			Tonnes (Kt)	Grade (g/t)	Au (oz)	As (ppm)	Cu (ppm)	Ni (%)
WINDARRA GOLD TAILINGS PROJECT								
Central Dam	2012	0 g/t	6,198	0.37	74,000	435	270	0.3

The Windarra Tailings estimate for the Central Dam has been reported based on the following:

- No cut-off grade has been used as the potential mining method dictates removal of the entire dam down to a specified elevation.
- The mineralisation has been reported above a flat elevation of 446 mRL; there are nickel tailings below this level but these have been shown by drilling to contain no gold and it is anticipated that the proposed gold mining method will not treat material below this.
- A dry bulk in situ density of 1.60 t/m³ has been used to derive tonnages.
- Resource totals may not sum exactly due to rounding.

Windarra Gold Tailings Resources as at 22 June 2020 (see ASX announcement "Gold Tailings Resource at Windarra Updated to JORC2012 Indicated" released 22 June 2020)

APPENDIX 2 ORE RESERVE STATEMENT

Table 3: Nickel Projects 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)
BLACK SWAN PROJECT								
Silver Swan	2012	130	5.2	6,800	0.11	60	0.26	150
Black Swan	2012	3,370	0.63	21,500	NA	NA	NA	NA
TOTAL								
Total Ni Reserves	2012	3,500	0.81	28,300	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.

Silver Swan Underground Reserve as at 26 May 2017 (see ASX announcement "Silver Swan Definitive Feasibility Study" released 26th May 2017)
Black Swan Open Pit Reserve as at 5 November 2014 (see ASX announcement "Poseidon Announces Black Swan Ore Reserve" dated 5th November 2014).

The Company is aware that the 2019 upgrade to the Silver Swan Indicated Resource will materially affect the Silver Swan Reserve above which was based upon the 2015 Silver Swan Resource Estimate (refer to Table 1 above for the new Silver Swan Resource estimate). Such information is based on the information compiled by the Company's Geologists and the Competent Persons as listed below in the Competent Person Statements.

The Company is not aware of any new information or data that materially affects the information in the relevant market announcements for the Black Swan Open Pit Reserve. All material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

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 Steve Warriner, Chief Geologist, 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 Mr 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 Mr Andrew Weeks who is a full-time employee of Golder Associates Pty Ltd and who is a 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 Mr Steve Warriner, Chief Geologist, who is a full-time employee at Poseidon Nickel, and is a Member of The Australian Institute of Geoscientists and Mr Kahan Cervoj 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 Mr 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 **Maggie Hays Mineral Resource** is based on, and fairly represents, information compiled by Mr Steve Warriner, Chief Geologist, who is a full-time employee at Poseidon Nickel, and is a Member of The Australian Institute of Geoscientists and Mr 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 that relates to **Mt Windarra Mineral Resource** is based on, and fairly represents, information compiled by Mr Steve Warriner, Chief Geologist, who is a full-time employee at Poseidon Nickel, and is a Member of The Australian Institute of Geoscientists and Mr 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 **Windarra Gold Tailings Mineral Resource** is based on, and fairly represents, information compiled by Mr 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 **South Windarra and Cerberus Mineral Resources** is based on, and fairly represents, information compiled by Mr Steve Warriner, Chief Geologist, who is a full-time employee at Poseidon Nickel, and is a Member of The Australian Institute of Geoscientists. The South Windarra and Cerberus Mineral Resources are reported under JORC 2004 Guidelines. There has been no Material Change or Re-estimation of the Mineral Resource since the introduction of the JORC 2012 Codes. Future estimations for South Windarra and Cerberus will be completed to JORC 2012 Guidelines.

Mr Warriner, Mr Cervoj, Mr Weeks, Mr Glacken 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 Warriner, Mr Cervoj, Mr Weeks, Mr Glacken 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.

FORWARD LOOKING STATEMENT – INFERRED RESOURCE STATEMENTS:

The Company notes that an Inferred Resource has a lower level of confidence than an Indicated Resource and that the JORC Codes, 2012 advises that to be an Inferred Resource it is reasonable to expect that the majority of the Inferred Resource would be upgraded to an Indicated Resource with continued exploration. Based on advice from relevant competent Persons, the Company has a high degree of confidence that the Inferred Resource for the Silver Swan deposit will upgrade to an Indicated Resource with further exploration work.

The Company believes it has a reasonable basis for making the forward looking statement in this announcement, including with respect to any production targets, based on the information contained in this announcement and in particular, the JORC Code, 2012 Mineral Resource for Silver Swan as of May 2016, together with independent geotechnical studies, determination of production targets, mine design and scheduling, metallurgical testwork, external commodity price and exchange rate forecasts and worldwide operating cost data.

FORWARD LOOKING STATEMENTS:

This release contains certain forward looking statements including nickel production targets. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “except”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production and expected costs. Indications of, and guidance on future earnings, cash flows, costs, financial position and performance are also forward looking statements

Forward looking statements, opinions and estimates included in this announcement are based on assumptions and contingencies which are subject to change, without notice, as are statements about market and industry trends, which are based on interpretation of current market conditions. Forward looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance. Forward looking statements may be affected by a range of variables that could cause actual results or trends to differ materially. These variations, if materially adverse, may affect the timing or the feasibility and potential development of the projects.

APPENDIX 3 TENEMENTS

Mining Tenements Held as at 30 June 2020

AREAS OF INTEREST	TENEMENTS	ECONOMIC ENTITY'S INTEREST
Western Australia		
Windarra Nickel Assets	MSA 38/261, G38/21, L38/121, L39/184, L38/199, L38/218, L39/221	100%
Windarra South	MSA 38/261, 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, 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	100%
Black Swan Nickel Assets	M27/0039, M27/0200, M27/0214, M27/0216, L27/0057, L27/0058, L27/0059, L27/0074, L27/0075, L27/0077, L27/0078, L24/0219, L24/0222, G27/2	100%

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

Mining Tenements Acquired or Disposed during the June 2020 Quarter

Nil

Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements during the June 2020 Quarter

Nil

Beneficial Percentage Interests Held in Farm-In or Farm-Out Agreements Acquired or Disposed of during the June 2020 Quarter

Nil

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Poseidon Nickel Limited

ABN

60 060 525 206

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(1,697)	(9,080)
(b) development	-	-
(c) production	-	-
(d) staff costs	(355)	(1,024)
(e) administration and corporate costs	(592)	(2,163)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	220	1,405
1.5 Interest and other costs of finance paid	(345)	(1,655)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	328	509
1.8 Other – sundry income	7	115
1.9 Net cash from / (used in) operating activities	(2,434)	(11,891)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(105)	(122)
(d) exploration & evaluation (if capitalised)	(818)	(2,896)
(e) investments	-	35,000
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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)	-	-
2.6	Net cash from / (used in) investing activities	(923)	31,982

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	48,581	25,133
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,434)	(11,891)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(923)	31,982
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	45,224	45,224

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	224	3,071
5.2	Call deposits	15,000	8,010
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	30,000	37,500
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	45,224	48,581

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
446
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	US\$17,500	US\$17,500
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	US\$17,500	US\$17,500

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Unsecured Convertible Note held by Black Mountain Metals Pty Ltd (**BMM**) – 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.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,434)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(818)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,252)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	45,224
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	45,224
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	13.9

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The US\$17.5 million convertible note held with BMM matures 30 September 2020, during the next quarter. The Company appointed an advisor at the commencement of 2020 and held discussions with numerous parties, including BMM, to consider a replacement financing facility. Current developments indicate it is highly likely the BMM held convertible note will be repaid during the next quarter, with no replacement financing. The Company has mitigated foreign exchange risk on this repayment with payment of A\$25.1 million forecasted at maturity.

Poseidon continues to assess its funding requirements and will carry on engaging with potential financiers as we progress our projects, in particular the Black Swan restart and Windarra gold tailing project.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: 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.

Date: 16 July 2020



Authorised by: Brendan Shalders, CFO & Company Secretary
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.