

## BINDING HEADS OF AGREEMENT FOR THE PROPOSED SALE OF LAKE JOHNSTON

### KEY POINTS

- Poseidon has entered into a Binding Heads of Agreement to divest Lake Johnston to Mineral Resources Limited, subject to certain conditions precedent
- Terms of the proposed sale are:
  - **\$1 million non-refundable cash payment** payable upon execution of Binding Heads of Agreement
  - **A further \$14 million in cash**, comprising \$6.5 million payable on completion of a formal Sale & Purchase Agreement and \$7.5 million deferred payment (payable 12 months after completion)
  - 0.75% FOB royalty on lithium minerals and 1.5% net smelter return royalty on all other minerals and metals extracted from the Lake Johnston tenements
- The **\$15 million** will provide Poseidon with the funding to execute the Company's strategy which includes an exploration focus targeting high-grade nickel discoveries, continuing with reduced care and maintenance activities at Black Swan (to conserve funds) and pursuing new opportunities
- The royalties provide exposure to any future lithium or nickel production from Lake Johnston

**Poseidon Nickel Limited (ASX: POS, "the Company")** is pleased to provide information on the proposed sale of the Lake Johnston Project to Mineral Resources Limited (**MRL**).

CEO, Craig Jones, commented: *"The proposed transaction will crystallise value for shareholders through the monetisation of one of our assets and will enable the Company to continue with its strategy to progress the exciting exploration targets identified at Windarra, maintain Black Swan as our near-term production asset and progress new opportunities that are complementary to our portfolio."*

*Under the Binding Heads of Agreement, Poseidon will be paid \$15 million in cash while retaining an exposure to any exploration success at Lake Johnston with royalties from any future minerals or metals production from the project tenements.*

*The proposed Lake Johnston divestment will also reduce our annual expenditure commitments by approximately \$1.4 million and remove the rehabilitation provisions for that project from our balance sheet.*

*Combined with significant cost reduction initiatives implemented over the past six months, the reset cost base along with \$15 million cash consideration from the proposed sale of Lake Johnston strengthens the Company's balance sheet and provides sufficient funding for ongoing working capital requirements to successfully execute the Company's current strategy. "*

Key terms of the Binding Heads of Agreement are presented in Annexure 1 to this announcement, including the conditions precedent required for completion of the divestment.

*This announcement was authorised for lodgement by the Board of Poseidon Nickel Limited.*



**Craig Jones**  
Chief Executive Officer

**18 March 2024**

**For further information contact Craig Jones: + 61 (0)8 6167 6600**

## About Poseidon Nickel Limited

*Poseidon Nickel Limited (ASX Code: POS) is a nickel sulphide exploration and development company with two projects located within a radius of 300km from Kalgoorlie in the Goldfields region of Western Australia and a resource base of over 420,000 tonnes of nickel and 180,000 ounces of gold<sup>1</sup>.*

*Poseidon's strategy is focused on the exploration and eventual restart of its established nickel operation in Western Australia with the aim of being a profitable and sustainable nickel producer. A critical element of this strategy has been owning operations with existing infrastructure, large nickel resources and geological prospectivity likely to lead to resource growth through the application of modern exploration techniques.*

*Poseidon owns the Black Swan, Windarra and Lake Johnston Projects (with Lake Johnston in the process of being divested). In addition to the mines and infrastructure including concentrator at Black Swan, these projects have significant exploration opportunities demonstrated by the discovery of the Golden Swan Resource at Black Swan, and more recently the NW05 and NW04 targets at Windarra.*

*The Company completed a Bankable Feasibility Study on Black Swan in November 2022 which is planned to be the first project to restart, subject to appropriate project financing structures being achieved, the outlook for the nickel price improving and all necessary approvals being obtained.*

*A Definitive Feasibility Study on retreating the gold tailings at Windarra and Lancefield was completed in mid-2022. In December 2023 Mt Morgans entered into a trial processing agreement with Poseidon on the Lancefield gold tailings and accessing the water in the South Windarra pit.*

<sup>1</sup> Refer to the Company website, [www.poseidon-nickel.com.au](http://www.poseidon-nickel.com.au), for Resource and Reserves tables

### Annexure 1 - Material Terms of Binding Heads of Agreement

Acquisition	MRL agrees to acquire, and Poseidon agrees to sell, all rights, title and interests in the Lake Johnston Project.
Full Form Agreement	MRL and Poseidon agree to use reasonable endeavours to negotiate, finalise and execute a full form asset sale and purchase agreement (Full Form Agreement) on the terms set out in the Binding Heads of Agreement and within thirty (30) days of execution of the Binding Heads of Agreement (or such later date as agreed between the Parties in writing).
Consideration	<p>In consideration for the Acquisition, MRL agrees:</p> <ul style="list-style-type: none"> <li>A. upon execution of the Binding Heads of Agreement, to pay Poseidon \$1,000,000 in immediately available funds (<b>Signing Consideration</b>); and</li> <li>B. on or prior to the date that is five (5) days after the Completion Date, to pay Poseidon a cash payment of \$6,500,000 in immediately available funds (<b>Upfront Consideration</b>); and</li> <li>C. on or prior to the date that is twelve (12) months after the Completion Date, to pay Poseidon an additional cash payment of \$7,500,000 in immediately available funds (<b>Deferred Consideration</b>).</li> </ul> <p>(together, the <b>Consideration</b>).</p> <ul style="list-style-type: none"> <li>D. The Signing Consideration is non-refundable</li> <li>E. The Full Form Agreement will set out working capital adjustment provisions on customary terms, and will include: <ul style="list-style-type: none"> <li>i. a Completion working capital target; and</li> <li>ii. a method for calculating working capital post-Completion, with any adjustments to be reflected in the Deferred Consideration.</li> </ul> </li> </ul>
Completion	The timing and procedure for completion of the Acquisition ( <b>Completion</b> ) will be set out in the Full Form Agreement. The date on which Completion occurs is the Completion Date
Royalty	<p>In addition to the Consideration and from Completion, MRL agrees to grant Poseidon:</p> <ul style="list-style-type: none"> <li>A. a 0.75% Free-On-Board (FOB) revenue royalty from the sale of any lithium ore or concentrate extracted from the Tenements; and</li> <li>B. a 1.5% Net Smelter Return (NSR) royalty from the sale of any other minerals (excluding lithium) extracted from the Tenements,</li> </ul> <p>on terms and conditions set out in a royalty deed (<b>Royalty Deed</b>).</p>
Conditions Precedent	<ul style="list-style-type: none"> <li>A. Sale of the Sale Assets contemplated by the Binding Heads of Agreement, the Full Form Agreement and Completion is conditional upon Purchaser's satisfaction (or express written waiver) of the following conditions precedent (<b>Conditions</b>): <ul style="list-style-type: none"> <li>i. completion of legal due diligence on the Sale Assets to the reasonable satisfaction of Purchaser;</li> <li>ii. the Parties entering into an assignment deed with the relevant parties in respect of the Ngadju Native Title Agreement on terms</li> </ul> </li> </ul>

acceptable to the Vendor; and

iii. the consent of the Minister for Mines and Petroleum being obtained under the Mining Act for the transfer of all the rights and obligations in respect of the Tenements.

B. The Parties must use all reasonable endeavours to ensure the Conditions are satisfied as soon as practicable after execution of the Binding Heads of Agreement and in any event within 30 days of such execution of the Full Form Agreement (**Sunset Date**).

C. If Purchaser considers that, as at the Sunset Date, a Condition is or becomes incapable of being Satisfied, it may terminate the Binding Heads of Agreement by giving notice in writing to the Vendor and the Parties will be released from performing their obligations under the Binding Heads of Agreement.