
POSEIDON NICKEL LIMITED

ABN 60 060 525 206

NOTICE OF ANNUAL GENERAL MEETING

TIME: 11:00am (WST)

DATE: Tuesday, 24 November 2009

PLACE: ASX Limited Conference Room
Exchange Plaza
Level 8
2 The Esplanade
PERTH WA 6000

The Annual Report is now available on the Company's website via the following link:

<http://www.poseidon-nickel.com/>

This is an important document. If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

Notice of General Meeting

POSEIDON NICKEL LIMITED

ABN 60 060 525 206

Notice is hereby given that the Annual General Meeting of Poseidon Nickel Limited (the **Company**) will be held at:

Venue: ASX Limited Conference Room
Exchange Plaza
Level 8
2 The Esplanade
PERTH WA 6000

Date: Tuesday, 24 November 2009

Time: 11:00am (WST)

This Notice of Meeting should be read in conjunction with the accompanying Explanatory Memorandum.

Agenda

Adoption of Annual Financial Report

To receive the Annual Financial Report, including the declaration of Directors and accompanying reports of the Directors and auditors for the financial year ending 30 June 2009.

Ordinary Resolutions

1. Adoption of Remuneration Report

"To adopt the Remuneration Report as contained in the Annual Financial Report for the year ended 30 June 2009."

2. Re-Election of Mr Richard Monti as Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, in accordance with clause 13.2 of the Company's Constitution and for all other purposes, Mr Richard Monti, who retires by rotation in accordance with the Company's Constitution, offers himself for re-election and is hereby re-elected as a Director of the Company."

3. Election of Mr Christopher Indermaur as Director

To consider, and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, in accordance with clause 13.4 of the Company's Constitution and for all other purposes, Mr Christopher Indermaur, a Director who was appointed to the Board on 2 April 2009, retires and being eligible, is elected as a Director of the Company."

4. Approval for issue of Shares under Director Share Plan to Mr Richard Monti

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Board is authorised pursuant to the “Poseidon Nickel Limited Director Share Plan” to issue fully paid ordinary shares in the Company to the value of \$60,282.20 to Mr Richard Monti (or his nominee) in lieu of Director’s fees on the terms set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Directors and any associates of Directors and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in an employee incentive scheme by anyone else, that person and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Approval for issue of Shares under Director Share Plan to Mr Andrew Forrest

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Board is authorised pursuant to the “Poseidon Nickel Limited Director Share Plan” to issue fully paid ordinary shares in the Company to the value of \$43,841.60 to Mr Andrew Forrest (or his nominee) in lieu of Director’s fees on the terms set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Directors and any associates of Directors and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in an employee incentive scheme by anyone else, that person and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Approval for issue of Shares under Director Share Plan to Mr Geoff Brayshaw

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Board is authorised pursuant to the “Poseidon Nickel Limited Director Share Plan” to issue fully paid ordinary shares in the Company to the value of \$65,762.40 to Mr Geoff Brayshaw (or his nominee) in lieu of Director’s fees on the terms set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Directors and any associates of Directors and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in an employee incentive scheme by anyone else, that person and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. Approval for issue of Shares under Director Share Plan to Mr Christopher Indermaur

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Board is authorised pursuant to the “Poseidon Nickel Limited Director Share Plan” to issue fully paid ordinary shares in the Company to the value of \$88,467.60 to Mr Christopher Indermaur (or his nominee) in lieu of Director’s fees on the terms set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Directors and any associates of Directors and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in an employee incentive scheme by anyone else, that person and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. Approval for issue of Shares to Mr David Singleton

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolution 9, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 675,000 fully paid ordinary shares in the Company to Mr David Singleton (or his nominee) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr David Singleton (or his nominees) and any associates of Mr David Singleton (or his nominees). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. Adoption of Poseidon Employee Bonus Scheme

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

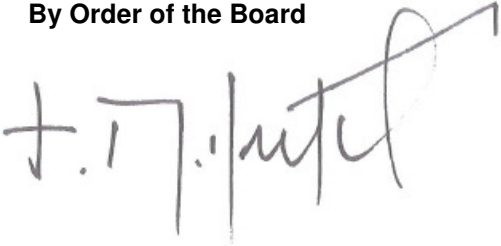
*“That, for the purposes of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, the Directors be authorised to adopt the “Poseidon Nickel Limited Employee Bonus Scheme” (**Scheme**) (the terms of which are summarised in the Explanatory Memorandum accompanying this Notice) and to issue securities pursuant to the Scheme.”*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by the Directors of the Company (except those who are ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

General Business

To consider any other business that may be brought forward in accordance with the Constitution of the Company or the Corporation Act.

By Order of the Board

A handwritten signature in black ink, appearing to read "R. Kestel", with a long horizontal stroke extending to the right from the top of the signature.

Ross Kestel
Company Secretary
16 October 2009

Voting

Voting entitlements

In accordance with the Corporations Act, the Company has determined that the shareholding of each person for the purpose of determining entitlements to attend and vote at the Annual General Meeting will be the entitlement of that person set out in the Company's share register as at 5:00pm (WST) on Sunday, 22 November 2009. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Voting exclusions apply to Resolutions 4 – 9 (inclusive) of this Notice as set out under the relevant heading "Voting Exclusions" under the Resolutions.

Voting in person

A Shareholder that is an individual may attend and vote in person at the Meeting. If you wish to attend the Meeting, please bring the attached Proxy Form to the Meeting to assist in registering your attendance and number of votes. Please arrive 15 minutes prior to the start of the Meeting to facilitate this registration process.

A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the meeting in accordance with section 250D of the Corporations Act. The appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the Certificate is enclosed with this Notice of Meeting.

Voting by proxy

Shareholders should complete the Proxy Form if they do not wish to attend the Meeting and wish to appoint a proxy to attend and vote on their behalf. If you intend to attend the Meeting, you do not need to complete the Proxy Form. However, please bring the Proxy Form with you to the Meeting to assist with your registration.

You may still attend the Meeting even if you have appointed a proxy. However, your proxy's authority is suspended in relation to any Resolutions on which you choose to vote personally.

Appointing a second proxy

You may appoint up to 2 persons to act as your proxy to attend and vote on your behalf. If you wish to do this you must use a separate proxy form in respect of each proxy and indicate the percentage of your voting rights or the number of Shares that each proxy is appointed in respect of each Proxy Form. You should photocopy the enclosed Proxy Form or request an additional Proxy Form to be sent to you.

Directing your proxy how to vote

If you wish to direct your proxy how to vote on any or all of the Resolutions, place a mark "X" in the "For", "Against" or "Abstain" box. If you do not direct your proxy how to vote, your proxy may vote as he, she or it sees fit. If you mark the abstain box, you are directing your proxy not to vote on your behalf in respect of that Resolution and your votes will not be included on a show of hands or on a poll.

If you appoint the Chairman of the Meeting as your proxy, but do not give directions on how to vote on a particular Resolution, the Chairman will vote in favour of that Resolution even if he has an interest in the outcome of the Resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

Signing instructions

Individuals	The individual, who is the Shareholder, or his or her attorney, must sign the form.
Joint holding	Each person who is a joint Shareholder, or their attorneys, must sign the form.
Companies	The company that is the Shareholder must sign the form in accordance with section 127 of the Corporations Act either by a director jointly with either another director or a company secretary, or where the company has a sole director who is also the sole company secretary (or there is no company secretary), by that director.
Power of attorney	Any Shareholder signing under a power of attorney must attach a certified photocopy of the power of attorney document to this form.

Lodging your proxy form

To be valid, your Proxy Form (and any power of attorney under which it is signed) must be received at the address given below no later than 11:00am (WST) on Sunday, 22 November 2009. Any Proxy Form received after that time will not be valid for the scheduled meeting.

By mail	Computershare Investor Services Pty Limited GPO Box 242 MELBOURNE VIC 3001
By fax	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the Annual General Meeting of Shareholders to be held on Tuesday, 24 November 2009 at 11:00am (WST).

The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Annual General Meeting.

Annual Financial Report

The first agenda item is to receive the Annual Financial Report of the Company for the period ended 30 June 2009, comprising the financial statements, Directors' report, declaration of Directors and independent audit report.

No resolution is required in respect of this agenda item. However, it provides Shareholders with the opportunity to ask questions of the Directors and auditors in relation to the Company's results for the financial year ending 30 June 2009.

Resolution 1 – Adoption of Remuneration Report

At a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders.

The remuneration report of the Company for the financial year ended 30 June 2009 is set out in the Directors' report contained in the Company's Annual Financial Report.

The remuneration report sets out the Company's remuneration arrangements for the executives and non-executive Directors and executive employees of the Company.

Shareholders should note that the vote on this Resolution is advisory only and does not bind the Company or the Directors.

Resolution 2 – Re-Election of Mr Monti

Clause 13.2 of the Constitution and ASX Listing Rule 14.4 requires that at the Company's Annual General Meeting one third of the Directors for the time being shall retire from office.

In accordance with clause 13.2 of the Constitution and ASX Listing Rule 14.4, Mr Richard Monti retires as a Director and, being eligible, offers himself for re-election as Director of the Company.

Resolution 3 – Election of Mr Indermaur

Clause 13.4 of the Constitution states that the Directors may at any time appoint a person to be a Director to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed holds office only until the next following general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Christopher Indermaur was appointed to the Board by the Directors on 2 April 2009. In accordance with clause 13.4 of the Constitution, Mr Indermaur, being eligible, offers himself for re-election as a Director of the Company.

Mr Indermaur left the Board of Poseidon Nickel Limited in 2008 to undertake an executive role in an unrelated company. After leaving that role at the end of March 2009, Mr Indermaur agreed to rejoin the Poseidon Board.

Mr Indermaur has over 25 years' experience in large Australian companies in engineering and commercial roles; including being the Engineering and Commercial Manager for QNI Nickel Refinery at Yabulu, Company Secretary of QAL and General Manager for strategy and development at Alinta Ltd.

Mr Indermaur holds a Bachelor of Engineering (Mechanical) and Graduate Diploma of Engineering (Chemical) from the Western Australian Institute of Technology (now Curtin University) and is a Fellow of the Institution of Engineers.

He also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University.

Resolutions 4, 5, 6 and 7 – Approval for Issue of Shares under Poseidon Nickel Limited Director Share Plan

It is proposed that Messrs Richard Monti, Andrew Forrest, Geoff Brayshaw and Christopher Indermaur (**Participating Directors**) participate in the Poseidon Nickel Limited Director Share Plan (**Director Share Plan**) in respect of Directors' fees which the Company has agreed to pay the Participating Directors for the financial year commencing on 1 July 2009 and ending on 30 June 2010. Under the terms of the Director Share Plan, Participating Directors have elected to receive Directors' fees as Shares in lieu of cash in order to retain the cash reserves of the Company.

Shareholder approval is required under ASX Listing Rule 10.14 for the issue of the Shares to the Participating Directors under the Director Share Plan. ASX Listing Rule 10.14 provides that an entity must not permit a director of that entity to acquire securities under an employee incentive scheme without the approval of shareholders.

Shareholder approval under Chapter 2E of the Corporations Act is not required because the Shares will be issued in satisfaction of Directors' fees owed by the Company to the Participating Directors on a quarterly basis and accordingly, the issue of Shares is considered to be on arm's length terms.

For the purposes of ASX Listing Rule 10.15, the following information is provided to Shareholders:

- (a) Shares will be issued under the Director Share Plan to Richard Monti, Andrew Forrest, Geoff Brayshaw and Christopher Indermaur (all Directors) or their nominees.
- (b) The Directors' fees for the 12 month period ending on 30 June 2010 will be as follows:
 - (i) \$60,282.20 to Richard Monti;
 - (ii) \$43,841.60 to Andrew Forrest; and
 - (iii) \$65,762.40 to Geoff Brayshaw

The Directors' fee to be paid to Christopher Indermaur of \$88,467.60 is represented by:

- (i) \$71,242.60 for the 12 month period ending on 30 June 2010; and
 - (ii) \$17,225 for the period of his re-appointment from 2 April 2009 until 30 June 2009
- (c) The above fees agreed to be paid to the Participating Directors reflect the additional responsibilities and work to be undertaken from their respective appointments to the following committees:
 - (i) Mr Monti is a member of the following Committees:
 - Remuneration and Nominations;
 - Audit and Risk Management; and
 - Corporate Governance

(ii) Mr Brayshaw is Chairman of the following Committee:

- Audit and Risk Management

And a member of the following Committees:

- Remuneration and Nominations; and
- Corporate Governance

(iii) Mr Indermaur is Chairman of the following Committees:

- Remuneration and Nominations; and
- Corporate Governance

And a member of the following Committees:

- Remuneration and Nominations; and
- Audit and Risk Management

- (d) The maximum number of Shares to be issued to the Participating Directors is determined by the Directors' fees that the Company has agreed to pay the Participating Directors for the financial year ending on 30 June 2010 divided by the deemed issue price of the Shares calculated in accordance with paragraph (e) below. For the 12 month ending 30 June 2010 the maximum number of Shares that may be acquired by the Directors is up to 909,920 Shares issued at the deemed price calculated in accordance with paragraph (e) below.
- (e) The Shares will be issued for nil cash consideration as they will be issued in satisfaction of Directors' fees agreed to be paid by the Company to the Participating Directors at quarterly intervals. The Shares will be deemed to have an issue price of no less than the volume weighted average sale price of Shares sold on ASX during the 90 days prior to the expiration of each quarter of each year.
- (f) The Shares issued to each of the Directors under the Director Share Plan during the 12 month period ending on 30 June 2009 totalled 520,332 comprised as follows:
- (i) 184,634 to Richard Monti;
 - (ii) 134,279 to Andrew Forrest; and
 - (iii) 201,419 to Geoff Brayshaw
- (g) The Director Share Plan was approved by Shareholders at the 2007 and 2008 annual general meetings. The total Shares issued to each of the Directors since 30 September 2007 to 30 June 2009 is as follows:
- (i) 240,934 to Richard Monti;
 - (ii) 175,224 to Andrew Forrest;
 - (iii) 230,761 to Geoff Brayshaw; and
 - (iv) 69,208 to Christopher Indermaur
- (g) No loan will be provided in respect of the issue of Shares as they are being issued in consideration for Directors' fees which the Company has agreed to pay the Participating Directors for the financial year ending 30 June 2010.

- (h) The Shares will be issued to Participating Directors within 12 months from the date of the Annual General Meeting and will be issued on a quarterly basis according to the Directors' fees owing to each of the Participating Directors at that time.

Resolution 8 – Approval for Issue of Shares to Mr David Singleton

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue 675,000 Shares to Mr David Singleton on the terms and conditions set out below. The proposed Share issue constitutes Mr Singleton's annual bonus for the financial year ended 30 June 2009 which he has pre-elected to receive as Shares. The number of Shares is determined by dividing the amount of the bonus (\$112,500, being 25% of Mr Singleton's remuneration for the year ended 30 June 2009) by the deemed issue price of the bonus Shares (\$0.25 per Share, being the closing price of Shares, as quoted on ASX, on 30 June 2009) and then multiplying by 150% in accordance with the terms of the Company's employee bonus scheme which permits an uplift in the bonus where it is taken as Shares instead of cash as an incentive to preserve the Company's cash resources.

Shareholder approval for the proposed issue is required under Section 208 of the Corporations Act and ASX Listing Rule 10.11.

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The issue of Shares to Mr Singleton requires the Company to obtain Shareholder approval because the issue of Shares constitutes giving a financial benefit and as a Director, Mr Singleton is a related party of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances.

Shareholder Approval (Chapter 2E of the Corporations Act and ASX Listing Rule 10.11)

In accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares to Mr Singleton:

- (a) the related party is Mr David Singleton, and he is a related party by virtue of being a Director;
- (b) the maximum number of Shares (being the nature of the financial benefit being provided) to be issued to Mr Singleton is 675,000;
- (c) the Shares will be issued to Mr Singleton no later than one month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Shares will be issued on one date;
- (d) the Shares will be issued on the terms proposed under the Poseidon Employee Bonus Scheme to be approved by Shareholders pursuant to Resolution 9;

- (e) the value of the Shares proposed to be issued to Mr Singleton is \$168,750, being 675,000 Shares at a deemed issue price of \$0.25 each;
- (f) the Shares will rank equally in all respects with the existing Shares on issue;
- (g) Mr Singleton presently holds a relevant interest in the Company as set out below:

Securities	Number
Shares	2,000,000
Options:	
- Incentive Options (exercisable at \$1.96 on or before 2 July 20011)	1,000,000
- Unlisted Options (exercisable at \$0.80 on or before 19 December 2012)	2,000,000

- (h) the remuneration and emoluments from the Company to Mr Singleton for the financial year ending 30 June 2009 was \$450,000 and the current financial year will be \$465,300;
- (i) if the Shares proposed to be issued under Resolution 8 are issued, a total of 675,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 160,226,953 to 160,901,953 (assuming that no Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted by 0.4%;
- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

	Price	Date
Highest	\$0.55	29 July 2009
Lowest	\$0.1750	04 December 2008
Last	\$0.3050	15 October 2009

- (k) the purpose of the proposed issue of Shares under this Resolution is to reward Mr Singleton for his performance in his capacity as Chief Executive Officer of the Company for the financial year ending 30 June 2009. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Shares upon the terms proposed; and
- (l) David Singleton declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8. The Board (other than David Singleton) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares to Mr Singleton as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Mr Singleton will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

Resolution 9 – Adoption of Poseidon Employee Bonus Scheme

Resolution 9 seeks the approval of Shareholders for the adoption of the “Poseidon Nickel Limited Employee Bonus Scheme” (**Scheme**) to allow the issue of Shares under the Scheme as an exception to ASX Listing Rule 7.1 in accordance with exception 9(b) of ASX Listing Rule 7.2. An issue under an employee incentive scheme will only fall within exception 9(b) of ASX Listing Rule 7.2 if the securities are issued under a scheme approved by shareholders within 3 years before the date of issue.

If Resolution 9 is passed, the Company will have the ability to issue Shares to eligible participants under the Scheme over a period of 3 years without impacting on the Company’s 15% placement capacity under ASX Listing Rule 7.1.

The main terms of the Scheme are summarised in Schedule 1 to this Explanatory Memorandum and a full copy of the Scheme is available for inspection at the Company’s registered office until the date of the Annual General Meeting. The Scheme will, as and from the date of the Meeting, replace the existing employee bonus scheme of the Company which was adopted by Shareholders at the annual general meeting in 2008.

The Scheme rewards eligible employees (being a full time employee or director of the Company or a subsidiary of the Company) for their contribution to the Company and enables them to share in the success of the Company.

A total of 878,083 Shares have been issued under the existing employee bonus scheme to employees in relation to their contribution to the Company from the date of the scheme’s inception in 2008.

GLOSSARY

\$ means Australian dollars

Annual General Meeting or **Meeting** means the meeting convened by the Notice of Meeting.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Days means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company means Poseidon Nickel Limited (ABN 60 060 525 206).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Explanatory Memorandum means the Explanatory Memorandum accompanying the Notice of Meeting.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Memorandum.

Resolutions means the resolutions set out in the Notice of Meeting or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – POSEIDON NICKEL LIMITED EMPLOYEE BONUS SCHEME

The Poseidon Nickel Limited Employee Bonus Scheme (**Scheme**) will operate on the following terms:

Objectives of the Scheme

The Scheme is designed to reward full-time or permanent part-time employees and Directors of the Company for their contribution to the Company. The aim of the Scheme is to have 75% of all full time or permanent part time employees with greater than 3 years service (whether continuous or non-continuous) with the Company in the Scheme.

Committee

The Scheme will be administered by a committee chaired by the Chief Executive Officer of the Company.

Bonus Offer

The committee may in its absolute discretion:

- (a) determine which employees are entitled to participate in the Scheme from time to time;
- (b) make an offer to selected employees;
- (c) determine the bonus band that will apply to an offer to selected employees; and
- (d) determine the amount of the bonus to be offered to selected employees.

The bonus band means the maximum bonus that may be paid to an employee, expressed as a percentage of the employee's annual salary.

Payment of Bonus

The employee may elect to receive the bonus in cash or Shares. Payment of the bonus is conditional on the employee continuing to be a full time employee of the Company on the date the bonus is paid in cash or the date of issue of the bonus Shares.

Salary Sacrifice Agreement

Prior to earning the bonus for a particular year, in order for the employee to receive Shares as his or her bonus, the employee must enter into a salary sacrifice agreement with the Company pursuant to which the employee agrees to receive part of his or gross salary as a benefit satisfied by way of Shares.

Cash

If the employee elects to take the bonus in cash, the Company will pay the bonus to the nominated bank account of the employee after finalisation of the financial year.

Bonus Shares

If the employee elects to take the bonus in Shares, then the employee will be entitled to the number of Shares equivalent to 150% of the amount of the bonus, determined by dividing 150% of the bonus by the volume weighted average closing price of a Share as traded on ASX for the 5 trading days up to and including the date of issue, or the price as otherwise determined by the Committee (**Bonus Shares**). The Company will issue the Bonus Shares to a trustee appointed by the Company to be held in a trust. The trustee will, in accordance with the terms of the Scheme, transfer the Bonus Shares to the employee upon the satisfaction of a number of conditions (as specified below).

Bonus Shares

- (a) Bonus Shares will upon allotment rank pari passu in all respects with other Shares, except as otherwise set out below.
- (b) Bonus Shares will be subject to a vesting period until such time as the employee is able to demonstrate to the Company that the following conditions have been satisfied:
 - (i) the Bonus Shares have been held by the trustee for a minimum period of 3 years from the date of issue; and
 - (ii) the employee continues to be a full time employee of the Company,(together, the **Conditions**)
- (c) The trustee appointed by the Company to hold the Bonus Shares will hold the Bonus Shares in a trust and will not transfer the Bonus Shares to the employee until the employee demonstrates that the Conditions have been satisfied.
- (d) If the conditions are not satisfied then the employee will be deemed to forfeit the Bonus Shares and the Bonus Shares will be retained in the trust to be re-issued by the Company pursuant to the Scheme.
- (e) Whilst the Bonus Shares are held in the trust, if the employee commits any fraudulent, dishonest or gross negligent acts as determined by the committee acting reasonably, then the Bonus Shares will be forfeited and the Bonus Shares will be retained in the trust to be re-issued by the Company pursuant to the Scheme.
- (f) Upon transfer of the Bonus Shares to the employee, the Company will apply for quotation of the Bonus Shares on ASX.

Prescribed Event

The Company will authorise the transfer of the Bonus Shares from the trustee to the employee immediately in the event that:

- (a) the Shares in the Company are subject to a takeover bid under the provisions of Chapter 6 of the Corporations Act and the bid proceeds to compulsory acquisition under Part 6A.1 of the Corporations Act; or
- (b) an order is made under Part 5.1 of the Corporations Act which is binding on all Shareholders for the transfer of Shares in the Company under a merger by way of scheme of arrangement.

In the event the transfer is ordered by the Company, any unvested Bonus Shares shall automatically vest.

Variation

The Scheme rules have been drafted on the basis of current draft tax legislation relating to employee share schemes. The committee may amend the Scheme rules as it sees fit if, and to the extent that, the legislation relating to employee share schemes is amended from time to time.

**Poseidon Nickel Limited
ABN 60 060 525 206**

Proxy Form

Please return this Proxy Form to the following address

*Computershare Investor Services Pty Limited
GPO Box 242 MELBOURNE VIC 3001*

Or

*Facsimile on 1800 783 447 (within Australia)
+61 3 8473 2555 (outside Australia)*

Member Details

Name:

Address:

Contact Telephone No:

Appointment of Proxy

I/We being a Member/s of Poseidon Nickel Limited and entitled to attend and vote hereby appoint

A

Mark the above with an "X" if the Chairman of the Meeting is to be your Proxy

OR

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

Or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Poseidon Nickel Limited to be held at the ASX Limited Conference Room, Exchange Plaza, Level 8, 2 The Esplanade, Perth WA 6000 on Tuesday, 24 November 2009 at 11.00am (WST) and at any adjournment of that meeting.

IMPORTANT: FOR RESOLUTIONS 4 to 9 BELOW

If the Chairman of the Meeting is your proxy and you are not directing him to vote on Resolutions 4 to 9 please mark the box in this section. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he may have an interest in the outcome of these Resolutions and that votes cast by him for these Resolutions, other than as proxy holder, would be disregarded because of that interest.

If you do not mark this box AND you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolutions 4 to 9 and your votes will not be counted in calculating the required majority if a poll is called on these Resolutions.

The Chairman of the Meeting intends to vote undirected proxies in favour of the resolution.

		For	Against	Abstain *
Resolution 1.	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2.	Re-Election of Mr Richard Monti as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3.	Election of Mr Christopher Indermaur as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4.	Approval for issue of Shares under Director Share Plan to Mr Richard Monti	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5.	Approval for issue of Shares under Director Share Plan to Mr Andrew Forrest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6.	Approval for issue of Shares under Director Share Plan to Mr Geoff Brayshaw	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7.	Approval for issue of Shares under Director Share Plan to Mr Christopher Indermaur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8.	Approval for issue of Shares to Mr David Singleton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9.	Approval to Adopt the Poseidon Employee Bonus Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for resolutions 1 to 9 you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form.

%

PLEASE SIGN HERE

Individual or Member 1

Sole Director and
Sole Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

**Poseidon Nickel Limited
ABN 60 060 525 206**

Corporate Representative Form

Please return this Appointment Form of Corporate Representative to the following address

*Computershare Investor Services Pty Limited
GPO Box 242 MELBOURNE VIC 3001*

Or

*Facsimile on 1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)*

Shareholder Details

This is to certify that by a resolution of the directors of:

_____ ACN _____
(Insert Company Name)

(Insert Address)

The Company has appointed:

(Insert Name of Corporate Representative)

In accordance with the provisions of Section 250D of the Corporations Act to act as the Corporate Representative of the company to exercise all or any of the powers the company may exercise at the Annual General Meeting of shareholders of Poseidon Nickel Limited ACN 060 525 206 to be held on Tuesday, 24 November 2009 at 11.00am and at any adjournment or postponement of the Annual General Meeting, or any meeting arising from the Annual General Meeting.

Dated this day of 2009

Executed by

ACN
in accordance with section 127 of the *Corporations Act*
2001:

.....
Director

.....
Director/Secretary

.....
Name of Authorised Representative

.....
Signed by Authorised Representative