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POSEIDON NICKEL LIMITED

ABN 60 060 525 206

NOTICE OF ANNUAL GENERAL MEETING

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TIME: 11:00am (WST)

DATE: Tuesday, 23 November 2010

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, 23 November 2010

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 2010.

### 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 2010."*

#### 2. Re-election of Mr Andrew Forrest 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 Andrew Forrest, 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. Re-election of Mr Geoff Brayshaw 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 Geoff Brayshaw, 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."*

**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 \$62,693.49 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 \$45,595.26 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 \$68,392.20 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 \$74,092.30 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 the issue of Unlisted Options to Mr David Singleton**

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

*“That, 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 3,000,000 Unlisted Options in the Company to Mr David Singleton (or his nominee) for the purposes and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

**Voting Exclusion:** For the purposes of Listing Rule 10.13 and Section 224 of the Corporations Act, 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. Approval to issue Unlisted Director Options 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 Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant 250,000 Unlisted Options to Mr Richard Monti or his nominee for nil cash consideration, for the purpose and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

**Voting Exclusion:** For the purposes of Listing Rule 10.13 and Section 224 of the Corporations Act, the Company will disregard any votes cast on this Resolution by Mr Richard Monti (or his nominees) and any associates of Mr Richard Monti (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.

**10. Approval to issue Unlisted Director Options to Mr Chris 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 Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant 250,000 Unlisted Options to Mr Chris Indermaur or his nominee for nil cash consideration, for the purposes and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

**Voting Exclusion:** For the purposes of Listing Rule 10.13 and Section 224 of the Corporations Act, the Company will disregard any votes cast on this Resolution by Mr Chris Indermaur (or his nominees) and any associates of Mr Chris Indermaur (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.

**11. Approval to issue Unlisted Director Options 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 Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant 250,000 Unlisted Options to Mr Geoff Brayshaw or his nominee for nil cash consideration, for the purposes and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

**Voting Exclusion:** For the purposes of Listing Rule 10.13 and Section 224 of the Corporations Act, the Company will disregard any votes cast on this Resolution by Mr Geoff Brayshaw (or his nominees) and any associates of Mr Geoff Brayshaw (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.

**12. Approval to issue Unlisted Exertion Options to Mr Chris Indermaur**

*“That, for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of 750,000 Unlisted Exertion Options to Mr Chris Indermaur or his nominee for nil cash consideration, for the purposes and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

**Voting Exclusion:** For the purposes of Listing Rule 10.13 and Section 224 of the Corporations Act, the Company will disregard any votes cast on this Resolution by Mr Chris Indermaur (or his nominees) and any associates of Mr Chris Indermaur (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.

**13. Approval of the Employee Share Option Plan**

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

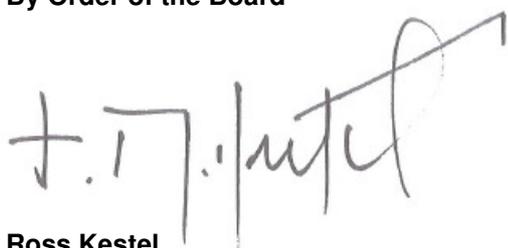
*“That, for the purposes of Exception 9 in Listing Rule 7.2 of ASX Limited, the Shareholders of the Company approve the “Poseidon Nickel Limited Employee Share Option Plan”, for the purposes and on the terms and conditions as set out in the Explanatory Memorandum accompanying this Notice.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any Director (except one who is ineligible to participate in the Poseidon Nickel Limited Employee Share Option Plan) and any of their associates.

**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 large, sweeping flourish extending from the end of the signature.

**Ross Kestel**  
**Company Secretary**  
13 October 2010

## **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 11:00am (WST) on Sunday, 21 November 2010. 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 – 13 (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, 21 November 2010. 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, 23 November 2010 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 2010, 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 2010.

### **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 2010 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 Forrest**

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 Andrew Forrest retires as a Director and, being eligible, offers himself for re-election as Director of the Company.

Mr Forrest has extensive experience in the mining sector with specialist expertise in major project finance. Mr Forrest's most notable association is with Fortescue Metals Group Limited, an iron ore and infrastructure developer in the Pilbara region of Western Australia.

Mr Forrest has been Chief Executive Officer of Fortescue since its commencement in early 2003. Since that time, Mr Forrest has overseen the expansion of the company to its present position as a major player in the iron ore industry.

Mr Forrest's primary skills are as an asset builder and financier, developing dynamic and dedicated teams to meet corporate objectives.

### **Resolution 3 – Re-Election of Mr Brayshaw**

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 Geoff Brayshaw retires as a Director and, being eligible, offers himself for re-election as Director of the Company.

Mr Brayshaw was formerly an audit partner with the Perth firm of BDO Kendalls, having been in practice for some 35 years. He has also held a number of positions in commerce and professional bodies including national president of the Institute of Chartered Accountants of Australia in 2002.

He is a director of a number of public and private companies, including independent director and audit committee chairman of both Fortescue Metals Group Limited and Fortron Insurance Group Limited. He also sits on the board of the Small Business Development Corporation.

### **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 2010 and ending on 30 June 2011. 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 2011 will be as follows:
  - (i) \$62,693.49 to Richard Monti;
  - (ii) \$45,595.26 to Andrew Forrest;
  - (iii) \$68,392.90 to Geoff Brayshaw; and
  - (i) \$74,092.30 to Chris Indermaur
- (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:
- 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 2011 divided by the deemed issue price of the Shares calculated in accordance with paragraph (e) below. For the 12 month ending 30 June 2011 the maximum number of Shares that may be acquired by the Directors is up to 1,253,870 Shares issued at the assumed share price of \$0.20 each but to be 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 2010 totalled 800,509 comprised as follows:
- (i) 200,127 to Richard Monti;
  - (ii) 145,547 to Andrew Forrest;
  - (iii) 218,321 to Geoff Brayshaw; and
  - (iv) 236,514 to Chris Indermaur
- (g) The Director Share Plan was approved by Shareholders at the 2007, 2008 and 2009 Annual General Meetings. The total Shares issued to each of the Directors since 30 September 2007 to 30 June 2010 totals 1,581,570 comprised as follows:
- (i) 441,060 to Richard Monti;
  - (ii) 320,771 to Andrew Forrest;
  - (iii) 449,081 to Geoff Brayshaw; and
  - (iv) 370,657 to Christopher Indermaur

- (h) 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 2011.
- (i) 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 Unlisted Options to Mr David Singleton**

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 3,000,000 Unlisted Options to Mr David Singleton on the terms and conditions set out below.

The issue of Unlisted Options to Mr Singleton (or his nominee) is designed to reward him for his services to the Company and to act as an incentive for future performance. The Unlisted Options to be issued are in addition to his remuneration package payable by the Company.

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 the Unlisted Options to Mr Singleton requires the Company to obtain Shareholder approval because the issue of the Unlisted Options 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 Options 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 Unlisted Options (being the nature of the financial benefit being provided) to be issued to Mr Singleton is 3,000,000;

- (c) the Unlisted Options 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 Options will be issued on one date;
- (d) the terms of the Unlisted Options to be granted to Mr Singleton (or his nominee) are set out in Schedule 1. The exercise price of each Option is 25 cents and the expiry date is 23 November 2016.
- (e) Mr Singleton presently holds a relevant interest in the Company as set out below:

<b>Securities</b>	<b>Number</b>
Shares	2,675,000
Options:	
- Incentive Options (exercisable at \$1.96 on or before 2 July 2011)	1,000,000
- Unlisted Options (exercisable at \$0.80 on or before 19 December 2012)	2,000,000

- (f) the remuneration (\$440,300) and superannuation (\$25,000) from the Company to Mr Singleton for the financial year ending 30 June 2010 was \$465,300 and for the current financial year is estimated to be \$483,912;
- (g) if all the Unlisted Options to be granted under Resolution 8 were exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 1.5% on an undiluted basis and being based on the total number of Shares of 190,498,102 which assumes that no other Options are exercised and no other Shares issued;
- (h) 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:

	<b>Price</b>	<b>Date</b>
Highest	\$0.39	12 April 2010
Lowest	\$0.15	03 September 2010
Last	\$0.215	7 October 2010

- (i) the Company's independent advisers, BDO Corporate Finance (WA) Pty Ltd, have valued the Unlisted Options to be granted to Mr Singleton or his nominee by reference to the Black Scholes option pricing model based on the following assumptions:

Underlying share price:	A\$0.20
Exercise price:	A\$0.25;
Term to maturity:	23 November 2016;
Risk-free interest rate:	4.97%
Underlying share volatility:	90%

Based on the assumptions, the Options have been valued as follows:

<b>Total number of options</b>	<b>Value per option</b>	<b>Total Value</b>
3,000,000	0.148 cents	\$444,000

- (j) the purpose of the proposed issue of Unlisted Options 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 2010 and to act as an incentive for future performance. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Unlisted Options upon the terms proposed;
- (k) the Unlisted Options will be granted to Mr Singleton for nil cash consideration on the terms of the Unlisted Options as set out in Schedule 1; and
- (l) there will be no funds raised from the issue of the Unlisted Options to Mr Singleton (or his nominee), any funds raised upon exercise of any Unlisted Options will be used for ongoing working capital purposes of the Company.
- (m) Mr 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 Unlisted Options to Mr Singleton as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Unlisted Options 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.

### **Resolutions 9, 10, and 11 – Approval to Issue Unlisted Director Options to Directors**

Resolutions 9 to 11 seek Shareholder approval for the grant of 250,000 Unlisted Options to Mr Richard Monti (or his nominee), 250,000 Unlisted Options to Mr Chris Indermaur (or his nominee) and 250,000 Unlisted Options to Mr Geoff Brayshaw (or his nominee) for no consideration as part of the incentive scheme for Directors'.

If Resolution 9 is passed, Mr Richard Monti or entities associated with Mr Richard Monti will be issued a total of 250,000 Unlisted Options to acquire ordinary fully paid ordinary Shares in the capital of the Company with an exercise price of 25 cents.

If Resolution 10 is passed, Mr Chris Indermaur or entities associated with Mr Chris Indermaur will be issued a total of 250,000 Unlisted Options to acquire ordinary fully paid ordinary Shares in the capital of the Company with an exercise price of 25 cents.

If Resolution 11 is passed, Mr Geoff Brayshaw or entities associated with Mr Geoff Brayshaw will be issued a total of 250,000 Unlisted Options to acquire ordinary fully paid ordinary Shares in the capital of the Company with an exercise price of 25 cents.

The Board acknowledges the grant of the Unlisted Options to Messrs Monti, Indermaur and Brayshaw is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations; which recommends that companies clearly distinguish the structure of non-executive directors remuneration from that of executives and that non-executive directors should normally be remunerated by way of fees and not by way of non-cash schemes designed for remuneration of executives.

Mr Monti, Mr Indermaur and Mr Brayshaw are not executive directors. The Board considers the grant of these Unlisted Options reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.

Shareholder approval is required for the purposes of Section 208 of Chapter 2E of the Corporations Act 2001 and ASX Listing Rule 10.11 because Mr Monti, Mr Indermaur and Mr Brayshaw are each a related party of the Company, as they are Non-Executive Directors of the Company.

## **Shareholder approval**

Shareholder approval for the issue of the Unlisted Options the subject of Resolutions 9 to 11 is sought for the purposes of:

Chapter 2E of the Corporations Act 2001 – which governs the giving of financial benefits to “related parties”, which includes Directors of a Company;

ASX Listing Rule 10.11 – which generally provides that except in certain circumstances (which do not apply in the present case), a Company listed on the ASX cannot issue or grant securities to a related party, without prior Shareholder approval.

As Shareholders approval is being sought pursuant to ASX Listing Rule 10.11, under Listing Rule 7.2 Exception 14, Shareholder approval under Listing Rule 7.1 is not required.

## **Chapter 2E of the Corporations Act 2001**

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:

- (c) obtain the approval of the public company’s members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (d) 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.

For the purposes of Section 208, Mr Monti, Mr Indermaur and Mr Brayshaw are each a related party of the Company as they are Directors.

Resolutions 9 to 11 provide for the grant of Unlisted Options to a related party, which is a financial benefit requiring Shareholder approval in the absence of a specified exception applying (which do not apply in the present case).

For the purposes of Section 208 of the Corporations Act the following information is provided:

### **The related party to whom the proposed Resolution would permit the financial benefit to be given**

If Resolutions 9 to 11 are passed it will permit the giving of a financial benefit to Mr Richard Monti (or his nominee), a financial benefit to Mr Chris Indermaur (or his nominee) and Mr Geoff Brayshaw (or his nominee) respectively.

For the purposes of Section 208 a related party includes directors of a company. Mr Monti, Mr Indermaur and Mr Brayshaw are therefore related parties of the Company

### **The nature of the financial benefit**

The proposed financial benefit to be given under Resolution 9 is the grant of 250,000 Unlisted Options for no cash consideration to Mr Monti (or his nominee). The financial benefit will constitute part of Mr Monti’s remuneration package as a Director.

The proposed financial benefit to be given under Resolution 10 is the grant of 250,000 Unlisted Options for no cash consideration to Mr Indermaur (or his nominee). The financial benefit will constitute part of Mr Indermaur’s remuneration package as a Director.

The proposed financial benefit to be given under Resolution 11 is the grant of 250,000 Unlisted Options for no cash consideration to Mr Brayshaw (or his nominee). The financial benefit will constitute part of Mr Brayshaw's remuneration package as a Director.

The terms of the Unlisted Options to be granted to Mr Monti, Mr Indermaur and Mr Brayshaw are set out in Schedule 1. The exercise price of each Option is 25 cents and the expiry date is 23 November 2016.

### **Directors' recommendation and basis of financial benefit**

The Board currently consists of Mr Andrew Forrest, Mr Richard Monti, Mr Chris Indermaur, Mr Geoff Brayshaw and Mr David Singleton.

The number of Unlisted Options to be granted to each of the Directors and the terms were negotiated by those Directors independent of each Resolution.

Mr Monti, Mr Indermaur and Mr Brayshaw each abstain from making a recommendation to Shareholders as to the Resolutions as they each have an interest in the outcome of the Resolutions, being the recipients of the Unlisted Options. The other Directors (being Mr Forrest and Mr Singleton), who do not have a material interest in the outcome of the Resolutions, recommend that Shareholders vote in favour of Resolutions 9 to 11. The Board (other than Mr Monti, Mr Indermaur and Mr Brayshaw) 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 Resolutions.

### **Dilution**

If any Unlisted Options granted as proposed above are exercised, the effect would be to dilute the shareholding of existing Shareholders. The market price of the Company's Shares during the period of the Unlisted Options will normally determine whether or not Unlisted Option holders exercise the Options. At the time any Unlisted Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be valued at a price that is higher than the exercise price of the Unlisted Options.

If all the Unlisted Options to be granted under Resolution 9 to 11 were to be exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 0.39% on an undiluted basis and being based on the total number of Shares of 190,498,102 which assumes there has not been the issue of any other Securities.

### **Total remuneration packages**

The remuneration to be received by Mr Richard Monti as a Non-Executive Director during the 2010-2011 is \$62,693.49 in Director Fees, which Mr Monti has elected to receive as Shares; allotted quarterly in lieu of cash in order to retain the cash reserves of the Company. Mr Monti may also be paid a bonus at the discretion of the Board based on the performance of the Company.

Mr Monti receives no other form of remuneration from the Company.

The remuneration to be received by Mr Chris Indermaur as a Non-Executive Director during the 2010-2011 is \$74,092.30 in Director Fees, which Mr Indermaur has elected to receive as Shares; allotted quarterly in lieu of cash in order to retain the cash reserves of the Company. Mr Indermaur may also be paid a bonus at the discretion of the Board based on the performance of the Company.

Mr Indermaur receives no other form of remuneration from the Company.

The remuneration to be received by Mr Geoff Brayshaw as a Non-Executive Director during the 2010-2011 is \$68,392.90 in Director Fees, which Mr Brayshaw has elected to receive as Shares; allotted quarterly in lieu of cash in order to retain the cash reserves of the Company. Mr Brayshaw may also be paid a bonus at the discretion of the Board based on the performance of the Company.

Mr Brayshaw receives no other form of remuneration from the Company.

### Existing relevant interest

At the date of this Notice, Mr Monti, Mr Indermaur and Mr Brayshaw have a relevant interest in the following securities of the Company:

Name	Shares	31 July 2012 Options
Richard Monti	678,561	1,250,000
Chris Indermaur	301,449	-
Geoff Brayshaw	449,081	-

### Trading History

The following table gives details of the highest, lowest and the latest closing price of the Company's Shares trading on the ASX over the last twelve (12) months

	Price	Date
Highest	\$0.39	12 April 2010
Lowest	\$0.15	03 September 2010
Last	\$0.215	7 October 2010

### Valuation of options

The Company's independent advisers, BDO Corporate Finance (WA) Pty Ltd, have valued the Options to be granted to Mr Monti or his nominee, Mr Indermaur or his nominee and Mr Brayshaw or his nominee by reference to the Black Scholes option pricing model based on the following assumptions:

Underlying share price:	A\$0.20
Exercise price:	A\$0.25;
Term to maturity:	23 November 2016;
Risk-free interest rate:	4.97%
Underlying share volatility:	90%

Based on the assumptions, the Options have been valued as follows:

Total number of options	Value per option	Total Value
<u>750,000</u>		
250,000 to Mr Richard Monti	0.148 cents	\$37,000
250,000 to Mr Chris Indermaur	0.148 cents	\$37,000
250,000 to Mr Geoff Brayshaw	0.148 cents	\$37,000

## **ASX Listing Rule 10.11**

For the purposes of ASX Listing Rule 10.11, Messrs Monti, Indermaur and Brayshaw are considered related parties of the Company.

Accordingly, in order to grant the Unlisted Options to Messrs Monti, Indermaur and Brayshaw (or their nominees), the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to grant the Unlisted Options to Messrs Monti, Indermaur and Brayshaw as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the grant of the Unlisted Options to Messrs Monti, Indermaur and Brayshaw will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in the Notice of Meeting convened to consider Shareholder approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to the Resolution. The information is as follows:

- (a) The Unlisted Options will be granted to Messrs Monti, Indermaur and Brayshaw (or their nominees);
- (b) The maximum number of Unlisted Options the Company will grant to Mr Monti (or his nominee) is 250,000, Mr Indermaur (or his nominee) is 250,000 and Mr Brayshaw (or his nominee) is 250,000;
- (c) The Company will issue the Unlisted Options the subject of Resolutions 9 to 11 as soon as practicable after the date of the Meeting but in any event no later than one (1) month after the date of this Meeting (or such later date to the extent permitted by any ASX waiver of the ASX Listing Rules) and it is anticipated that the Options will be issued on one date;
- (d) Mr Monti, Mr Indermaur and Mr Brayshaw are Non-Executive Directors of the Company;
- (e) The Unlisted Options will be granted to Messrs Monti, Indermaur and Brayshaw for nil cash consideration on the terms of the Unlisted Options as set out in Schedule 1;
- (f) There will be no funds raised from the issue of the Unlisted Options to Messrs Monti (or his nominee), Indermaur (or his nominee) and Brayshaw (or his nominee). Any funds raised upon exercise of any Unlisted Options will be issued for the ongoing working capital purposes of the Company; and
- (g) The Board (other than Richard Monti, Chris Indermaur and Geoff Brayshaw) 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 Resolutions.

## **Resolutions 12 – Approval to Issue Unlisted Exertion Options to Mr Chris Indermaur**

The issue of Unlisted Exertion Options to Mr Indermaur (or his nominee) is in recognition of the considerable additional demand has been placed on Mr Indermaur during the last financial year. The Board believes that substantial extra time and effort has been exerted by Mr Indermaur in response to several Company corporate situations, and this commitment is reasonably considered to be extraordinary, and it is appropriate that Mr Indermaur be entitled to additional remuneration. Mr Indermaur's availability when needed has allowed the Company to maintain a smaller executive group and minimise expenditure on outside consultants.

The Board when determining the nature of the exertion allowance to be given to Mr Indermaur have taken into account both the time commitment and the level of complexity and responsibility involved. The exertion allowance to be given in the form of issued Unlisted Exertion Options is in addition to his fees and remuneration package payable by the Company.

The Board acknowledges the grant of these Unlisted Exertion Options to Mr Indermaur is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations; which recommends that companies clearly distinguish the structure of non-executive directors remuneration from that of executives and that non-executive directors should normally be remunerated by way of fees and not by way of non-cash schemes designed for remuneration of executives.

Mr Indermaur is not an executive director. The Board considers the grant the Unlisted Exertion Options to Mr Indermaur reasonable in the circumstances, given Mr Indermaur's willingness to accept Options rather than cash for his extra exertion; conserving the Company's cash and aligns his interests further with those of Shareholders.

Mr Indermaur as a Director is deemed to be a related party of the Company. The issuing of securities to a related party as contemplated by Resolution 12 may constitute the giving of a financial benefit to a related party and the resolution is put to Shareholders for that reason.

### **Corporations Act**

Section 208 of the Corporations Act prohibits a company from giving a financial benefit to a related party without prior shareholder approval.

The following information is provided to Shareholders in accordance with section 219 of the Corporations Act to enable them to assess the merits of the resolution:

#### **The related party to whom the proposed Resolution would permit the financial benefit to be given**

Mr Chris Indermaur.

#### **The nature of the financial benefit**

The proposed financial benefit to be given is the grant to Mr Indermaur of 750,000 Unlisted Exertion Options.

The remuneration to be received by Mr Indermaur as a Non-Executive Director during the 2010-2011 is \$74,092.30 in Director Fees, which Mr Indermaur has elected to take in the form of Shares to be allotted quarterly; in lieu of cash in order to retain the reserves of the Company. In the previous 12 months, Mr Indermaur has received benefits from the Company in the form of 236,514 Shares in lieu of Director Fees.

Mr Indermaur currently holds 301,449 Fully Paid Ordinary Shares and nil Options.

The Unlisted Exertion Options will be issued and exercisable on the terms and conditions set out in Schedule 1.

Mr Indermaur declines to make a recommendation in regards to the proposed resolution as he has a material interest in its outcome.

Mr Indermaur is a Non-Executive Director. The other Directors believe that the grant of this number of Options is reasonable and appropriate given the additional work performed by Mr Indermaur during the year and in light of similar incentive programs within similar organisations' for people in this role.

The other Directors recommend that Shareholders vote in favour of the resolution as the number of Unlisted Exertion Options proposed to be granted are appropriate and reasonable and will reward Mr Indermaur for his dedicated service and will act as an incentive for him to continue to provide a high level of service in performance of his role.

The Unlisted Exertion Options shall be granted free to Mr Indermaur at an exercise price and on the conditions as set out in this Explanatory Memorandum.

## Dilution

If all the Unlisted Exertion Options to be granted to Mr Indermaur were to be exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 0.39% on an undiluted basis and being based on the total number of Shares of 190,498,102 which assumes there has not been the issue of any other Securities.

## Trading History

The following table gives details of the highest, lowest and the latest closing price of the Company's Shares trading on the ASX over the last twelve (12) months

	Price	Date
Highest	\$0.39	12 April 2010
Lowest	\$0.15	03 September 2010
Last	\$0.215	7 October 2010

## Valuation of options

The Company's independent advisers, BDO Corporate Finance (WA) Pty Ltd, have valued the Unlisted Exertion Options to be granted to Mr Indermaur by reference to the Black Scholes option pricing model based on the following assumptions:

Underlying share price:	A\$0.20
Exercise price:	A\$0.25;
Term to maturity:	23 November 2016;
Risk-free interest rate:	4.97%
Underlying share volatility:	90%

Based on the assumptions, the Options have been valued as follows:

Total number of options	Value per option	Total Value
750,000	0.148 cents	\$111,000

## ASX Listing Rule 10.11

Listing Rule 10.11 provides that a company must not issue equity securities (including options to acquire shares) to a director of the company unless the issue has been approved by shareholders by ordinary resolution.

Accordingly, under Resolution 12, the Company seeks approval of Shareholders to allow the Company to issue Unlisted Exertion Options to Mr Indermaur.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to the Resolution. The information is as follows:

- (h) The Unlisted Exertion Options will be granted to Mr Indermaur (or his nominee);
- (i) The maximum number of Unlisted Exertion Options the Company will grant to Mr Indermaur under Resolution 12 is 750,000;

- (j) The Company will issue the Unlisted Exertion Options the subject of Resolution 12 as soon as practicable after the date of the Meeting but in any event no later than one (1) month after the date of this Meeting (or such later date to the extent permitted by any ASX waiver of the ASX Listing Rules) and it is anticipated that the Options will be issued on one date;
- (k) Mr Indermaur is a Non-Executive Director of the Company;
- (l) The Unlisted Exertion Options will be granted to Mr Indermaur for nil cash consideration on the terms of the Options as set out in Schedule 1;
- (m) There will be no funds raised from the issue of the Unlisted Exertion Options to Mr Indermaur. Any funds raised upon exercise of any Options will be used for the ongoing working capital purposes of the Company; and
- (n) The Board (other than Mr Indermaur) are 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.

### **Resolution 13 – Approval of Employee Share Option Scheme**

Listing Rule 7.1 provides that a company must not, without prior approval of shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period, unless such an issue of securities falls within one of the exceptions set out in Listing Rule 7.2.

Exception 9(b) of Listing Rule 7.2 provides that equity securities may be issued under an employee incentive scheme that has been approved by shareholders for that purpose within the last three years.

The Company's Employee Share Option Scheme ("Scheme") was approved by Shareholders for the purposes of Exception 9(b) of Listing Rule 7.2 on 28 November 2007. Accordingly, the Company seeks Shareholder approval of the Plan under Exception 9(b) of Listing Rule 7.2 again in order to allow the Company to continue to issue Options under the Scheme without limiting the ability of the Company to issue securities under Listing Rule 7.1. Further, the Company also wishes to take the opportunity to amend the Scheme to take account of changes in the law since it was last approved.

The purpose of the Scheme is to give employees and executive officers of the Company an opportunity, in the form of options, to subscribe for Shares in the Company. The Directors consider the Scheme enables the Company to retain and attract skilled and experienced employees and executive officers and provide them with the motivation to make the Company more successful.

The Company has issued 3,508,000 Options under the Scheme since 28 November 2007 to employees, being the date the Scheme was last approved by Shareholders.

No Shares have been issued under the existing employee scheme to employees in relation to their contribution to the Company from the date of the scheme's inception in 2007.

A summary of the terms and conditions of the Scheme is set out below.

#### **Participants in the Plan**

The Board may offer free Options to full or part time employees and directors of the Company or an Associated Body Corporate of the Company to participate in the Scheme ("**Eligible Employee**").

Eligible Employees do not possess any right to participate in the Scheme, as participation is solely determined by the Board.

## Number of Options

The maximum number of Options to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rule of the Scheme and applicable law.

## Terms of Options

Each Option entitles the holder, on exercise, to one ordinary fully paid share in the Company.

The Options will be issued for nil cash consideration. The exercise price for the Options will be such price as determined by the Board (in its discretion) on or before the date of issue provided that in no event shall the exercise price be less than the weighted average sale price of Shares sold on ASX during the five business days prior to the date of issue or such other period as determined by the Board (in its discretion).

Shares issued on exercise of Options will rank equally with other Shares.

Options may not be transferred other than to an associate of the holder. Quotation of options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Options.

An Option may only be exercised after that Option has vested and any other conditions of exercise imposed by the Board are satisfied. The Board may determine the vesting period (if any). An Option will lapse upon the first to occur of the expiry date, the holder acting fraudulently or dishonestly in relation to the Company, the employee ceasing to be employed by the Company or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.

If, in the opinion of the Board any of the following has occurred or is likely to occur, the Company entering into a scheme of arrangement, the commencement of a takeover bid for the Company's Shares, or a party acquiring a sufficient interest in the Company to enable them to replace the Board, the Board may declare an Option to be free of any conditions of exercise. Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date and in any number.

## Future Issues of Shares

### New Issues

There are no participating rights or entitlements inherent in the Options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 10 Business Days after the issue is announced. Optionholders shall be afforded the opportunity to exercise all Options which they are entitled to exercise pursuant to the Plan prior to the date for determining entitlements to participate in any such issue.

### Bonus Issues

If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("**Bonus Issue**"), each optionholder holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("**Bonus Shares**") to a person registered as holding the same number of Shares as that number of Shares to which the optionholder may subscribe pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank *pari passu* in all respects with the other Shares issued upon exercise of the Options.

## **Reconstruction of Capital**

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each optionholder is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.

## **Taxation**

Under current taxation laws any taxation liability in relation to the Options, or the Shares issued on exercise of the Options, will fall on the participants. The Company will not be liable to fringe benefits tax in relation to Options or Shares issued under the Plan.

## **Participation by Directors**

Although Directors are eligible to be offered Options under the Plan, this first requires specific Shareholder approval due to the requirements of the ASX Listing Rules and the Corporations Act.

Resolution 13 seeks the approval of Shareholders for the adoption of the "Poseidon Nickel Limited Employee Share Option Scheme" (**Scheme**) to allow the issue of Securities 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 13 is passed, the Company will have the ability to issue Securities 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 2 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 2007.

The Scheme rewards eligible employees (being a full time employee 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.

## **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.

**Optionholder** means a holder of a Listed/Unlisted Option.

**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 – TERMS AND CONDITIONS OF OPTIONS**

The Options proposed to be issued under Resolution 8 to Mr Singleton; Resolutions 9 to 13 to Mr Monti, Mr Brayshaw and Mr Indermaur entitle the holders to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Option holder the right to subscribe for one Share. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) The Options will expire at 5.00pm (WST) on 23 November 2016.
- (c) The amount payable upon exercise of each Option will be \$0.25 (Exercise Price).
- (d) The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) The Options vest on the last to occur of the following:
  - (i) that date which is three years from the date of issue; and
  - (ii) the Company's Share price as quoted on ASX exceeding \$0.50 for five consecutive trading days
- (f) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.
- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Shares allotted and issued pursuant to the exercise of Options will be allotted and issued by the Company within ten (10) Business Days after receipt by the Company of both a properly executed Exercise Notice in accordance with point (d) above and payment of the Purchase Price for those Shares. The Company will also issue within this period a replacement Option Certificate to the holder for the balance of any unexercised Options.
- (i) There are no participating rights or entitlements inherent in the Options until those Options are exercised and Shares are issued in accordance with these Option Terms.
- (j) In the event of any reorganisation (including consolidations, sub-division, reduction, cancellation or return) of the issued capital of the Company, the Options are to be reorganised in a manner required by the listing rules or regulation of the ASX Limited (ASX Listing Rules) on a reorganisation of capital (irrespective of whether the Company is or is not listed).
- (k) Application will not be made to the ASX Limited for official quotation of the Options.
- (l) All Shares issued upon exercise of any Option will rank pari passu in all respects with the Company's then issued Shares and will be entitled to all dividends declared by the Board of the Company in respect of Shares of the same class as the Shares after the day the Company has received an Exercise Notice and has received all of the Purchase Price.
- (m) The Company will give the Holder at least fourteen (14) Trading Days (as that term is defined in the ASX Listing Rules) written notice for any new issues of Shares or other securities of the Company which is being extended to all Shareholders of the Company before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules (Record Date).

- (n) The Holder will be entitled to participate in new securities offered to all Shareholders in the Company to the extent that it has exercised its Options prior to the Record Date for the new issue.
- (o) If there is a bonus issue to holders of Shares prior to the Expiry Date, the number of Shares over which Options are exercisable will be increased in accordance with ASX Listing Rule 6.22.3.
- (p) In the event of pro-rata issue of capital of the Company (other than an issue in lieu or on satisfaction of dividends or by way of dividend reinvestment), the number of Shares over which the Options exist and the Exercise Price for each Option will be adjusted in accordance with the ASX Listing Rules.
- (q) To the extent that any provision of these Option Terms, an Option Certificate (or any replacement certificate) is inconsistent or different in any way from any provision of the ASX Listing Rules in respect of Options to subscribe for ordinary shares in companies listed on the ASX, the ASX Listing Rules prevail.
- (r) The Options are transferable.

## **SCHEDULE 2 – TERMS AND CONDITIONS OF EMPLOYEE SHARE OPTION SCHEME**

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

(a) **Eligibility**

The Board may invite full or part time employees and directors of the Company or an Associated Body Corporate of the Company to participate in the Scheme (**Eligible Employee**).

Eligible Employees do not possess any right to participate in the Scheme, as participation is solely determined by the Board.

(b) **Offer of Scheme Options**

The Scheme will be administered by the Board which may, in its absolute discretion, offer Scheme Options to any Eligible Employee from time to time as determined by the Board and, in exercising that discretion, may have regard to some or all of the following considerations:

- (i) the Eligible Employee's length of service with the Company;
- (ii) the contribution made by the Eligible Employee to the Company;
- (iii) the potential contribution of the Eligible Employee to the Company; or
- (iv) any other matter the Board considers relevant.

(c) **Number of Scheme Options**

The number of Scheme Options to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rules of the Scheme and applicable law.

(d) **Conversion**

Each Scheme Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.

(e) **Consideration**

Scheme Options issued under the Scheme will be issued for no consideration.

(f) **Exercise price**

The exercise price for Scheme Options offered under the Scheme will be determined by the Board.

(g) **Exercise conditions**

The Board may impose conditions, including performance-related conditions, on the right of a participant to exercise Scheme Option granted under the Scheme.

(h) **Exercise of Scheme Options**

A participant in the Scheme will be entitled to exercise their Scheme Options in respect of which the exercise conditions have been met provided the Scheme Options have not lapsed and the exercise of the Scheme Options will not result in the Company contravening ASIC Class Order 03/184. A holder may exercise Scheme Options by delivering an exercise notice to the Company secretary along with the Scheme Options certificate, and paying the applicable exercise price of the Scheme Options multiplied by the number of Scheme Options proposed to be exercised.

Within ten Business Days of receipt of the required items, the Company will, subject to the ASX Listing Rules, issue to the participant the relevant number of Shares.

(i) **Cessation of employment**

If the participant in the Scheme ceases to be an employee or director of, or render services to, the Company or an Associated Body Corporate for any reason (other than by death, permanent disability or permanent retirement from the workforce) prior to the lapse of the Scheme Options, and the exercise conditions attaching to the Scheme Options have been met, the participant will be entitled to exercise their Scheme Options in accordance with the Scheme for a period of up to 60 days after the date of the cessation event.

(j) **Death, permanent disability or retirement**

If the participant in the Scheme dies, becomes permanently disabled or permanently retires from the workforce as an employee or director of the Company prior to the lapse of the Scheme Options, the participant, or the participant's legal personal representative, will be entitled to exercise their Scheme Options in accordance with the Scheme rules for the period commencing on the date of the cessation event and ending on the first to occur of the date of lapsing of the Scheme Options and the date which is six months after the date of the cessation event.

(k) **Lapse of Scheme Options**

Scheme Options held by a participant in the Scheme will lapse immediately if:

- (i) the Scheme Options have not been exercised by the date which is six years after the date of issue, or such other date as the Board determines in its discretion at the time of issue of the Scheme Options;
- (ii) the exercise conditions attaching to the Scheme Conditions are unable to be met; or
- (iii) the holder ceases to be an employee or director of the Company or an Associated Body Corporate and the deadline set out in paragraph (i) or (j) has passed.

(l) **Participation in Rights Issues and Bonus Issues**

The Scheme Options granted under the Scheme do not give the holder any right to participate in rights issues or bonus issues unless Shares are allotted pursuant to the exercise of the relevant Scheme Options prior to the record date for determining entitlements to such issue. The number of Shares issued on the exercise of Scheme Options will be adjusted for bonus issues made prior to the exercise of the Scheme Options.

(m) **Reorganisation**

The terms upon which the Scheme Options will be granted will not prevent the Scheme Options being reorganised as required by the ASX Listing Rules on the reorganisation of the capital of the Company.

(n) **Limitation on offers**

If the Company makes an offer under the Scheme where:

- (i) the total number of Shares to be received on exercise of Scheme Options the subject of that offer exceeds the limit set out in ASIC Class Order 03/184; or
- (ii) the Offer does not otherwise comply with the terms and conditions set out in ASIC Class Order 03/184,

the Company must comply with Chapter 6D of the Corporations Act at the time of that offer.

(o) **Trigger event**

If any of the following events occur:

- (i) the Company is subject to a takeover bid;
- (ii) the Company proposes a scheme of arrangement with its members under Part 5.1 of the Corporations Act; or
- (iii) a person, or group of associated persons, becomes entitled to sufficient Shares to give him or them the ability, in general meeting, to replace all or a majority of the Board, where such ability was not already held by a person associated with such a person or group of persons,

then the Board may:

- (iv) determine that Scheme Options may be exercised at any time from the date of such event so as to permit the holder to participate in the change of control arising from the event; or
- (v) use its reasonable endeavours to procure that an offer is made to holder of Scheme Options on like terms to the terms proposed in such event.

**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

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

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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, 23 November 2010 at 11.00am (WST) and at any adjournment of that meeting.

**B**

**IMPORTANT: FOR RESOLUTIONS 4 to 13 BELOW**

If the Chairman of the Meeting is your proxy and you are not directing him to vote on Resolutions 4 to 13 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 13 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 Andrew Forrest as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3.	Re-Election of Mr Geoff Brayshaw 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 Options to Mr David Singleton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8.	Approval for issue of Director Options to Mr Richard Monti	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8.	Approval for issue of Director Options to Mr Chris Indermaur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8.	Approval for issue of Director Options to Mr Geoff Brayshaw	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8.	Approval for issue of Exertion Options to Mr Chris Indermaur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9.	Approval of the Poseidon Employee Share Option 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, 23 November 2010 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                      2010

Executed by

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

.....  
Director

.....  
Director/Secretary

.....  
Name of Authorised Representative

.....  
Signed by Authorised Representative