

23<sup>rd</sup> December 2010

Company Announcements Officer  
ASX Limited  
Exchange Centre  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir,

**Poseidon secures US\$20m investment to continue to develop the Mt Windarra Nickel Project towards production**

Poseidon Nickel Limited refers to the Trading Halt as released on 23 December 2010 whereby reference was made to an Announcement about a significant capital raising, attached is the Announcement which brings the Company out of its Trading Halt.

Yours faithfully



**David P.A. Singleton**  
MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER

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**CORPORATE DIRECTORY**

**Director / Senior Management**

David Singleton	Managing Director & Chief Executive Officer
Andrew Forrest	Non-Executive Chairman
Geoff Brayshaw	Non-Executive Director
Richard Monti	Non-Executive Director
Chris Indermaur	Non-Executive Director
Ross Kestel	Company Secretary

**Corporate Enquiries**

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**Shareholder Enquiries**

Enquiries concerning shareholdings should be addressed to:

Computershare Investor Securities  
GPO Box D182, Perth WA 6840  
P: 61 8 9323 2000

**Principal Office**

Unit 8, Churchill Court  
331-335 Hay Street  
SUBIACO WA 6008  
P: 61 8 9382 8799  
F: 61 8 9382 4760

**Registered Office**

Level 2, Spectrum  
100 Railway Road  
SUBIACO WA 6008  
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**Media Enquiries**

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FD Third Person  
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**Home Exchange**

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

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ASX Announcement

23<sup>rd</sup> December 2010

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**Poseidon secures US\$20m investment to continue to develop the  
Mt Windarra Nickel Project towards production**

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Poseidon Nickel Limited ("Poseidon") (ASX: POS) has secured a US\$20M Convertible Note funding facility from two private investment funds (collectively, the "Harbinger Funds") managed by New York-based Harbinger Capital Partners LLC and its affiliates (collectively, "Harbinger"). The funds will enable the Company to progress its 100%-owned Windarra Nickel Project, as well as ongoing exploration activities and feasibility studies.

The Convertible Notes, which are subject to shareholder approval, are convertible at the Harbinger Funds' election into fully paid ordinary Shares at a fixed price of AUD\$0.30 per Share, which represents a significant premium of circa 42%, to the 30-day Volume-Weighted Average Price (VWAP) of Poseidon Shares. The Notes have a 6 year term and carry a coupon of 0% per annum for the initial 3 years and 5% thereafter.

Poseidon's Chief Executive Officer, Mr David Singleton, said the high premium reflected the Company's quality nickel assets and high prospectivity of the region.

"The issue of these Convertible Notes forms a major pillar of our strategy towards near term production at Windarra, as well as exploration and development of our numerous prospects at the greater Windarra Nickel Project," said Mr Singleton.

"The terms of the funding package represent good value for our shareholders and will enable us to work towards progressing the historic Windarra project into production.

Harbinger Chief Executive Officer, Mr Philip Falcone, said Poseidon has a first class Board and management team and is well poised to develop Windarra into an effective and profitable sulphide nickel project. "We are pleased to be able to reaffirm our commitment to this project."

"The Windarra Nickel Project has surpassed all of our investment criteria fundamentals and delivers an excellent entry point in the strengthening nickel industry," Mr Falcone said.

"Windarra is one of Australia's largest undeveloped nickel sulphide resources and the Company has demonstrated a commitment to move the project quickly into production."

### **Uses of the funding**

The proceeds of the issue of the Convertible Notes will be used to fund the following activities:

- Complete the de-water and refurbishment works at the Mt Windarra nickel mine with commencement to take place in early 2011;
- Significantly expand the drilling program at Mt Windarra, Cerberus and the South Windarra prospects to increase resources and reserves; and
- Pursue the proposed concentrator funding.

**Major Terms of the Convertible Notes**

- Capital raised US\$20M
- Unsecured
- 6 year term
- Notes are convertible by Harbinger into fully paid ordinary Shares at AUD\$0.30 per share
- Coupon of 0% for 3 years and 5% thereafter

In addition, Harbinger has agreed to extend the term of the existing \$15M Convertible Notes issued in June 2008 to two other private investment funds managed by Harbinger for a further 6 years with the same coupon terms as the new Notes issued to the two newly investing Harbinger Funds. The existing 2008 Notes will, under the agreement, have a conversion price of A\$0.40.

The capital raising is subject to shareholder approval at a general meeting, details of which shareholders will be advised once the Notice has been finalised and approved.

An Independent Experts Report will accompany the Notice of Meeting and will contain full details, including the Terms and Conditions.

ENDS