

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

| | |
|-----------------------|--------------------------------|
| Name of entity | Poseidon Nickel Limited |
| ACN | 060 525 206 |

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Unsecured Convertible Notes |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | <p>19,483,682 Notes</p> <p>This is an estimate only based on an exchange rate of \$1.0265. The actual number of Notes issued at conversion will vary depending on the exchange rate at the time of conversion.</p> <p>Conversion will occur in accordance with the Terms and Conditions of the Notes.</p> |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | <p>The Notes have a six (6) year terms convertible into fully paid Ordinary shares at AUD\$0.30 per Share after the closing price of the Company's Shares exceeds \$0.30 for five (5) consecutive trading days during the term of the Convertible Notes.</p> <p>No interest is payable for the first three (3) years of the term and thereafter interest is payable at 5% per annum quarterly in arrears.</p> |

+ See chapter 19 for defined terms.

| 4 | <p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | <p>The Shares issued upon conversion of the Notes will rank equally with existing class of fully paid Ordinary Shares; and</p> <p>All Shares rank equally with existing class of quoted Shares.</p> | | | | | | | | |
|-------------|--|---|--------|--------|-------------|----------------------------|-----------|--------------------------|--|--|
| 5 | Issue price or consideration | USD\$20,000,000 | | | | | | | | |
| 6 | <p>Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p> | <p>Proceeds from the Note issue will be used by the Company to:</p> <ol style="list-style-type: none"> 1. Complete the de-water and refurbishment works at the Mt Windarra nickel mine commencing in the first quarter of 2011; 2. Significantly expand the drilling program at Mt Windarra, Cerberus and the South Windarra prospects to increase resources and reserves; and 3. Pursue the proposed concentrator funding <p>The issue was approved by Shareholders at the General Meeting held on 28 March 2011.</p> | | | | | | | | |
| 7 | <p>Dates of entering +securities into uncertificated holdings or despatch of certificates</p> | 30 March 2011 | | | | | | | | |
| 8 | <p>Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 2 if applicable)</p> | <table border="1"> <thead> <tr> <th data-bbox="790 1310 989 1344">Number</th> <th data-bbox="997 1310 1396 1344">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="790 1344 989 1388">194,876,072</td> <td data-bbox="997 1344 1396 1388">Ordinary fully paid shares</td> </tr> <tr> <td data-bbox="790 1388 989 1444">6,157,403</td> <td data-bbox="997 1388 1396 1444">05 December 2011 Options</td> </tr> <tr> <td data-bbox="790 1444 989 1489"></td> <td data-bbox="997 1444 1396 1489"></td> </tr> </tbody> </table> | Number | +Class | 194,876,072 | Ordinary fully paid shares | 6,157,403 | 05 December 2011 Options | | |
| Number | +Class | | | | | | | | | |
| 194,876,072 | Ordinary fully paid shares | | | | | | | | | |
| 6,157,403 | 05 December 2011 Options | | | | | | | | | |
| | | | | | | | | | | |

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|---|---|-------------|--|
| 9 | Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable) | 50,000 | Partly Paid Shares Issued at \$0.102 and paid to \$0.002 (leaving \$0.10 to pay) |
| | | 375,000 | Partly Paid Shares Issued at \$0.102 and paid to \$0.082 (leaving \$0.02 to pay) |
| | | 1,000,000 | 2 July 2011 Incentive Options |
| | | 2,500,000 | 31 July 2012 Unlisted Options |
| | | 9,267,436 | 31 August 2012 Unlisted Options |
| | | 115,000,000 | 19 September 2012 Unlisted Options |
| | | 533,000 | 22 October 2012 Unlisted Options (Employee) |
| | | 2,000,000 | December 2012 Incentive Options |
| | | 2,975,000 | 31 August 2016 Unlisted Options (Employee) |
| | | 4,500,000 | 23 November 2016 Unlisted Options |
| | | 15,906,681 | July 2008 Unsecured Convertible Notes |
| | | 19,483,682 | March 2011 Unsecured Convertible Notes |
| | | 313,131 | Special Bonus Employee Shares |

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|----|--|----------------|
| 10 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | Not Applicable |
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Part 2 - Bonus issue or pro rata issue

Questions 11 to 33 are not applicable.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Questions 35 to 42 not applicable

Quotation agreement

+ See chapter 19 for defined terms.

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

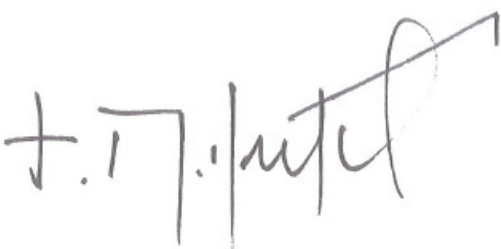
- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: 

Date: 5 April 2011

Print name:
Ross Kestel
Company Secretary

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