

14<sup>th</sup> April 2011

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

Dear Sir

**Re: POSEIDON SIGNS A CONCENTRATOR CONSTRUCTION AND FINANCING AGREEMENT WITH MAJOR CHINESE GROUP**

We enclose herewith a copy of an announcement in relation to the above.

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**

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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

14<sup>th</sup> April 2011

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**Poseidon signs a Concentrator Construction and Financing Agreement  
with Major Chinese Group**

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**KEY POINTS**

- **Poseidon signs non-binding financing and construction MOU with NFC of China for nickel sulphide concentrator and associated infrastructure**
- **Contract signed with Arcon Mining Services for the concentrator plant optimisation study for the Mt Windarra Project which will lead to a final EPC contract price**
- **Poseidon and NFC to enter into a formal agreement to appoint NFC as principal contractor for construction of the concentrator under a fixed price EPC Turnkey Contract subject to results of study**
- **Parties also intend to enter into formal financing agreements, to be facilitated by NFC for approximately 80% of the construction costs with financing to be provided by Chinese banks over an 8 year term.**
- **Indicative timetable contemplates commencement of construction at Windarra in early 2012 with the order of long lead items in the third quarter of 2011 following signing of binding EPC Contract and financing agreements.**

Poseidon Nickel Limited (ASX:POS) is pleased to announce that it has signed a Non-Binding Memorandum of Understanding ("MOU") with one of China's major construction and engineering groups, China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd ("NFC").

The parties anticipate the MOU will pave the way for formal agreements on financing and construction of the concentrator and associated infrastructure at its 100%-owned Mt Windarra Nickel Project in Western Australia.

The landmark MOU, which was signed in Beijing by senior representatives of NFC and Poseidon's Managing Director and CEO, Mr David Singleton, marks a key milestone for the Company and an important step towards the development of the Mt Windarra Nickel Project.

The other party to the MOU is Perth-based mining engineering group, Arcon WA Pty Ltd ("Arcon"), which will act as the local design and installation engineer.

Poseidon is currently completing the refurbishment of the Mt Windarra mine, enabling mining operations to recommence. Poseidon expects to complete the refurbishment by the end of 2011.

Under the MOU, Poseidon has agreed to work exclusively with NFC and Arcon to establish the cost and programme for delivery of a flotation concentrator and associated infrastructure to be installed at the Windarra site. These discussions will be conducted with a view to entering into:

- a formal fixed priced Engineering, Procurement and Construction Contract (EPC Contract) under which Poseidon will appoint NFC as the principal contractor,

following a detailed evaluation of the project construction costs to be undertaken by NFC.

- a formal financing agreement, subject to agreement on the terms of the construction contract, under which NFC will facilitate at least 80% of the necessary financing for the concentrator plant.

The MOU includes an indicative timetable which contemplates the completion of project construction by November 2012 following agreement of a formal EPC contract and approved financing anticipated by September 2011.

Commenting on the MOU, Poseidon's Managing Director, Mr David Singleton, said "the signing of this MOU marks the result of a competitive process undertaken by Poseidon for the concentrator plant and associated financing package for the Mt Windarra project.

"We are pleased to have appointed NFC with their Australian partner Arcon to complete the detailed design and construction of the concentrator with the intent of meeting the earliest possible production date," Mr Singleton said.

"The plant design is focussed on the Mt Windarra mine but we are building in the potential for economically expanding the plant to meet the requirements of the Cerberus ore body which we are actively developing and which will potentially double the nickel concentrate output."

Poseidon's Chairman, Andrew Forrest, said the MOU reflected a natural partnership between Australian and Chinese companies building on their respective World Class capabilities.

"We are completely focussed on Poseidon entering mine production as early as feasible and see the engineering and financing capabilities of NFC as an excellent route to achieving that," Mr Forrest said.

NFC's President, Mr Wang Hongqian, said "NFC is delighted with the opportunity to become a partner with Poseidon Nickel, for the development of its nickel processing plant." President Wang added that this will also be NFC's first EPC contract in Australia and it has significant strategic importance for NFC to form this alliance with Poseidon Nickel. "I hope that this project will lead to future developments of other mineral resource projects together with Poseidon Nickel," Mr Wang said.

NFC, which is based in Beijing and listed on the Shenzhen Stock Exchange, is currently capitalised at US\$3.6billion. NFC undertakes international contracts for non-ferrous metal projects and exports related engineering technologies, equipment and labour services. In addition, NFC has either built or is currently building major copper and other base metal projects in Iran, Zambia, Myanmar, Mongolia and Kazakhstan. NFC also has development MOU's in place with Perth based Reed Resources and Marengo Mining Limited.

The NFC Group, which employs over 40,000 people, has a substantial manufacturing capacity in China producing mining plant and equipment, and has a number of design institutes employing more than 2,500 engineers.

NFC has a Co-operation Agreement with Arcon, under which Arcon is a joint venture partner with NFC in providing a range of engineering construction and delivery services

relating to mineral resource development projects that Arccon introduce to NFC. Arccon is owned by

It should be noted that the MOU is non-binding and that no party is under any obligation to proceed. Accordingly, there is no certainty that a transaction will proceed.