

3rd April 2012

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

Dear Sir,

Re: POSEIDON ANNOUNCES COMMENCEMENT OF PROJECT FUNDING FOR WINDARRA NICKEL PROJECT

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

Mr David Singleton – MD & CEO
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F: 61 8 9382 4760

E: admin@poseidon-nickel.com.au

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
P: 61 8 9367 8133
F: 61 8 9367 8812

Media Enquiries

Mr Paul Downie
FT Consulting
P: 61 8 9386 1233 M: 0414 947 129
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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

ASX Announcement

3rd April 2012

Poseidon announces commencement of Project Funding for Windarra Nickel Project

- **Currently completing the Definitive Feasibility study (DFS) for the Windarra Nickel Project which is being reviewed by an Independent Technical Expert**
- **Entered into an unsecured bridge loan facility (Bridge Loan) for \$8,000,000 with funds received by the Company on 30th March 2012**
- **Undertake an underwritten rights issue (Rights Issue) to raise \$20,000,000 as the equity component of the overall raising**
- **Developing a debt financing structure with major international banks to fully fund the Windarra Nickel into production by 2013.**

Poseidon Nickel Limited (ASX:POS) is pleased to announce its proposed funding structure which is intended to finance the Windarra Nickel Project into production in 2013. Poseidon is in negotiations with major international banks to fund the project through a debt and working capital facility. Poseidon will provide more definitive details on the debt and working capital facilities as they become firm.

It is proposed that the debt funding structure is to be preceded by a \$20,000,000 equity raising by way of a Rights Issue. Poseidon intends to offer to eligible shareholders registered in Australia or New Zealand the opportunity to participate in a pro rata Renounceable Rights Issue of 0.965 new fully paid ordinary shares in the Company for every one fully paid ordinary share in the Company held as at 5:00pm (WST) on 19th April 2012.

It is intended that shares under the Rights Issue (New Shares) will be offered at \$0.10 per Share. Based on the current capital structure (and assuming no options to acquire shares are exercised prior to the record date), an additional 200,000,000 New Shares will be issued to raise approximately \$20,000,000. The full details of the Issue will be announced by 5th April 2012.

Shareholders will be entitled to apply to be issued any shortfall under the Rights Issue. The Board of the Company will have discretion as to how the shortfall is to be allocated.

Subject to final negotiations, it is intended that the Rights Issue will be fully underwritten by Forrest Family Investments Pty Ltd (Underwriter) an entity controlled by the Company's Chairman, Mr Andrew Forrest. Poseidon will confirm this arrangement within the next few days.

The Company will pay the Underwriter an underwriting fee of 5% of the underwritten New Shares (excluding shares held by the Underwriter or its related parties), and less broker fees payable on trading of rights. The underwriting agreement will be negotiated at arm's length and will contain standard commercial terms.

In addition, Poseidon has entered into an unsecured Bridge Loan of \$8,000,000 with Forrest Family Investments Pty Ltd. This loan is intended to fund Poseidon's current technical and funding activities as well as undertaking risk reduction activities for the project itself.

The loan was negotiated on commercial terms and conditions, the key terms being as follows:

- the drawdown date for the Loan was 30th March 2012;
- the Loan must be repaid by the Company on the earlier of 1st July 2013 and as soon as the Company completes a final capital raising;
- the Loan is unsecured and the Company may not grant security while the Loan remains outstanding;
- the Lender has the right to demand that the Loan is repaid through a mandatory capital raising at the end of the 15 month term if it has not been repaid by that time;
- interest of 11% per annum is payable 6 monthly in arrears, with the interest rate increasing if the Loan is not repaid after 6 months by 100 basis points each quarter until the Loan is repaid; and
- a 1.5% commitment fee is payable up front and a 1.5% exit fee is payable on the loan amount when the principal is repaid.

Poseidon Nickel is currently nearing completion of the Definitive Feasibility Study (DFS) for its wholly owned Windarra Nickel Project. The WNP includes the:

- Recommissioning of the Mt Windarra underground mine
- Underground mining of the Cerberus ore body
- Construction of a new 700,000 tonne per annum nickel concentrate flotation plant to take ore from both mines
- Reprocessing of stock piled gold tailings with an average probable reserve grade of circa 0.71 grammes/tonne for an initial period of 3+ years.