

# **POSEIDON NICKEL LIMITED**

## **ACN 060 525 206**

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### **ENTITLEMENT ISSUE PROSPECTUS**

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For a pro rata renounceable entitlement issue of up to approximately 199,906,923 Shares on the basis of 0.965 Shares for 1 Share held by Shareholders on the Record Date at an issue price of \$0.10 per Share, to raise approximately \$20,000,000 (**Offer**).

The Offer is fully underwritten by Forrest Family Investments Pty Limited (ACN 055 961 361). Refer to Section 8.2 for details regarding the terms of the Underwriting Agreement.

#### **IMPORTANT NOTICE**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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## 1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

### TIMETABLE AND IMPORTANT DATES <sup>1 2</sup>

Announcement of Offer and lodgement Appendix 3B	3 April 2012
Lodgement of Prospectus with ASIC and ASX	11 April 2012
Notice sent to Shareholders	13 April 2012
Ex Date and rights trading commences	16 April 2012
Record Date for determining Shareholder entitlements	7.00pm (AEST) 20 April 2012
Prospectus despatched to Shareholders	27 April 2012
Rights trading ends	4 May 2012
Shares quoted on a deferred settlement basis	7 May 2012
Closing Date of the Offer	11 May 2012
Notify ASX of under-subscriptions	16 May 2012
Despatch date	21 May 2012

#### Notes

<sup>1</sup> These dates are determined based upon the current expectations of the Directors and may be changed in accordance with the ASX Listing Rules.

<sup>2</sup> Subject to the Listing Rules and the Corporations Act, the Directors reserve the right to extend the Closing Date for the Offer, or to cancel the Rights Issue at their discretion without prior notice. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the Shares offered under this Prospectus.

### IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 11 April 2012 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of this Prospectus is at 7:00pm AEST on that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Prospectus Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Prospectus Expiry Date.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

The Company will apply to the ASX for quotation of the Shares offered under this Prospectus. If quotation is granted, the Shares offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the Shares through that market, you will have to make arrangements for a participant in that market to sell the Shares on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

No person is authorised to give information or to make any representation in connection

with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

## **OFFER IS ONLY MADE IN AUSTRALIA AND NEW ZEALAND**

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. In particular, the Offer (and any Shortfall Offer) is only being made in Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. In particular, this Prospectus may not be distributed in the United States or any other country except Australia and New Zealand.

The Offer to New Zealand investors is made pursuant to the New Zealand Securities Act (Overseas Companies) Exemption Notice 2002. Pursuant to this Exemption Notice, the only members of the public to whom the Shares are offered in New Zealand under the Offer are those who, at the time of the offer, are holders of Shares in the Company.

## **ELECTRONIC PROSPECTUS**

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian and New Zealand resident and must only access the Prospectus from within Australia or New Zealand.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

## **RISK FACTORS**

Potential investors should consider that the investment in the Company involves a number of risks including (but not limited to):

- **Project Funding:** Subject to successful completion of the Offer and the successful procurement of project funding (**Project Funding**), the directors expect that the Company will have sufficient funding to support the first phase of the Company's development of its Windarra Nickel Project. The Company has received expressions of interest and indicative term sheets from a number of leading banks and financiers which have indicated that it should be able to obtain the Project Funding sufficient for the purpose of project funding to completion of the first stage. Notwithstanding this expectation, the Company may require additional financing for exploration and development or for additional other capital expenditure in the future.

There can be no guarantee that the Project Funding or such additional funding will be obtained on acceptable terms or at all, particularly having regard to the current condition of global financial markets. If the Company seeks to obtain funding by way of a further equity raising, this may be dilutive to existing shareholders. If the Company is unable to obtain Project Funding or additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have an adverse affect on the Company's activities and could, in extreme circumstances, affect the Company's ability to continue as a going concern.

- **Project Risk:** Poseidon's activities are focused primarily on the Windarra Nickel Project. Any adverse changes or developments affecting this project, such as, but not limited to, obtaining financing on commercially suitable terms, hire suitable personnel and mining contractors, receive the necessary government licences, obtaining reasonable concurrence of the Independent Technical Expert for the project Definitive Feasibility Study or secure an off-take agreement on commercially suitable terms, may have a material adverse effect on Poseidon's financial performance and results of operations. The current and future operation of the Company, including the operations following the completion of a Definitive Feasibility Study, are subject to operational risks, including (but not limited to) adverse geological conditions, unanticipated operational and technical difficulties and the inability to obtain necessary consent and approvals.
- **Fluctuations in Metal Prices:** The price of nickel, gold and other base metals and other minerals fluctuates widely and is affected by numerous factors beyond the control of Poseidon such as industrial and retail supply and demand, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers. Future production from Poseidon's mining properties at the Windarra Nickel Project are dependent upon the price of nickel, gold and other base metals and other minerals being adequate to make these properties economic. Future serious price declines in the market value of nickel and gold, other base metals or other minerals could cause continued development of, and eventually commercial production from, the Windarra Nickel Project and the Company's other properties to be rendered uneconomic. Depending on the price of nickel, gold and other base metals and other minerals, Poseidon could be forced to discontinue production or development and may lose its interest in, or may be forced to sell, some of its properties. There is no assurance that, even as commercial quantities of nickel gold and other base metals are produced, a profitable market will exist for them.

In addition to adversely affecting the reserve estimates of Poseidon and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

- **Environmental risks and regulations:** The Company's projects are subject to laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed. The Company has not yet received environmental approval for its projects. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by the conditions attaching to the Tenements.

Further details of these risks and other general risks are set out in Section 7 of this Prospectus and investors are urged to consider those risks carefully (and, if necessary, consult their professional adviser) before deciding whether to invest in the Company. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

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## 2. CORPORATE DIRECTORY

### Directors

Andrew Forrest  
Non-Executive Chairman

David Singleton  
Chief Executive Officer and Managing  
Director

Richard Monti  
Non-Executive Director

Geoff Brayshaw  
Non-Executive Director

Chris Indermaur  
Non-Executive Director

### Company Secretary

Ross Kestel

### Registered Office

c/- NKH  
Level 2, 100 Railway Road  
Subiaco WA 6008

Telephone: +61 8 9382 8799  
Facsimile: +61 8 9382 4760

### Underwriter

Forrest Family Investments Pty Limited  
ACN 055 961 361

### Share Registry\*

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St George's Terrace  
Perth WA 6000

### Telephone

In Australia: 1300 614 556  
Outside Australia: +61 3 9415 4845

### Solicitors

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, The Read Buildings  
16 Milligan Street  
Perth WA 6000

### Auditor\*

KPMG  
Chartered Accountants  
235 St George's Terrace  
Perth WA 6000

\*These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

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### 3. CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholder,

Over the last 4½ years I have been privileged to be a member of the board and Executive team who have been united in developing the Windarra Nickel Project (**WNP**). In that time, we have taken a historic but overlooked tenement package and turned it into the largest of the higher grade nickel sulphide inventories of any exploration company in Australia.

Since we have grown our nickel inventory by 26% per annum and have continued to identify new potential on the site. In the last few months, we have announced that drilling has identified potential parallel mineralised zones at both of our key projects at Mt Windarra and Cerberus which could lead to life and output extensions. The announcements are in addition to a potential extension to the South Windarra ore body which was mined previously and several other target zones on identified channel systems. It is perhaps worth reflecting that our Cerberus Project, discovered in 2008, is a product of our first and only intensive regional exploration programme completed to date.

Another strength of our Company has been the quality, consistency and determination of the Board and executive team. This group of people have the breadth of experience and knowledge necessary to bring a project like this into operation. Our approach from the start was to assemble a high quality group of people who could transition seamlessly from exploration to development and onto production. I am pleased to say that the team we have today is the same one we had at the beginning which exemplifies the collective determination, focus and ownership that is necessary to succeed in this industry.

In mid 2011, following the successful expansion drilling of the Cerberus mine, which was discovered by Poseidon in 2008, the Company decided to undertake a full Definitive Feasibility Study (**DFS**) for the project with the intention of moving into production. The DFS is now being completed with review and assessment by an independent technical expert. Poseidon expects this final phase of work to be completed in the coming weeks so that the Company can proceed to finance the project into production.

The DFS covers the first phase of the WNP and aims to achieve up to 10,000 tonnes of nickel in concentrate per annum. The WNP includes the refurbishment and recommissioning of the Mt Windarra mine, the development of Cerberus mine and the construction of a nominal 700,000 ore tonnes per annum nickel flotation concentrator. In addition, as part of the project, the Company intends to re-treat gold tailings stored on the site leftover from previous operations for at least the first 3 years of operation. Poseidon will update the market on the findings from the DFS when it has been finalised and reviewed by the Independent Experts.

In January 2012, Poseidon appointed an experienced advisory group to review a number of financing options potentially available to the Company, predominantly around bank project finance and access to the US high yield debt market. The advisory group determined that a renounceable underwritten rights issue was the most favourable form of equity raising and the current rights issue is intended to provide part of the overall project funding package and the timing of the Rights Issue is to ensure that the potential debt providers have



certainty on the equity component being provided by Poseidon. The funds themselves will be applied primarily to initiating early works at the Windarra Nickel Project, particularly in areas that are considered to be on the critical path for the schedule delivery, including the box cut for Cerberus, certain long lead items for the concentrator and an extension to the accommodation village. Taking these steps will aid the Company to reduce the risk of schedule delays which is a continuing problem in our industry

I would also like to make comment on our Chairman, Mr Andrew Forrest, and his continuing role in the Company. Andrew has been a source of leadership and has provided unparalleled insights into the development of successful projects in Australia. His latest contribution to underwrite this Rights Issue gives testament to this continuing commitment. At a time when accessing high quality finance is not straightforward, his role in providing an interim debt bridge finance and underwriting facility has helped accelerate our plans and given certainty to the completion of the Offer. The pricing of the Rights Issue reflects his, and the Board's, determination that all of our loyal shareholders should have an opportunity to share equally in our future. I, and the Board, look forward to your support.

Yours faithfully

**David Singleton**  
**Managing Director & CEO**

For additional information please access our website at: [www.poseidon-nickel.com.au](http://www.poseidon-nickel.com.au) and for a detailed overview of the Project [www.poseidon-nickel.com.au/projects](http://www.poseidon-nickel.com.au/projects)

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## **4. DETAILS OF THE OFFER**

### **4.1 Offer**

By this Prospectus, the Company offers for subscription up to approximately 199,906,923 Shares on the basis of 0.965 Shares for every one (1) Share held by Shareholders on the Record Date at an issue price of \$0.10 per Share to raise approximately \$20,000,000.

Fractional entitlements for the Offer will be rounded down to the nearest whole number.

The purpose of the Offer and the use of funds raised are set out in Section 5 of this Prospectus.

The Company currently has 136,775,436 Options on issue as at the date of this Prospectus. These Options may be exercised by the Option holder(s) prior to the Record Date in order to participate in the Offer.

### **4.2 Rights Trading**

Entitlements to Shares pursuant to the Offer are renounceable and accordingly, rights will be traded on ASX. Details on how to sell your rights are set out in Section 4.3 below.

### **4.3 How to Accept the Offer and trading of Entitlements**

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
  - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
  - (ii) attach your cheque or for the amount indicated on the Entitlement and Acceptance Form (or to pay via BPAY®, follow the instructions below); or
- (b) if you only wish to accept part of your Entitlement:
  - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (ii) attach your cheque for the appropriate application monies (at \$0.10 per Share) (or to pay via BPAY®, follow the instructions below); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Alternatively, you can trade your Entitlement rights as follows:

- (a) to sell any or all of your Entitlement you will need to instruct a stockbroker to sell the Entitlement rights which you wish to renounce. If you wish to do so you must instruct your stockbroker by completing the panel headed "Instructions to your Stockbroker" on the back of the Entitlement and Acceptance Form and lodge that form with your stockbroker. Your stockbroker must sell those rights before the rights trading ceases; or
- (b) if you wish to transfer all or part of your rights to another person other than on ASX you must forward a completed renunciation form (obtainable from your stockbroker or the Company's share registry) together with the Entitlement and Acceptance Form.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Poseidon Nickel Limited – Subscription Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must be delivered to:

Computershare Investor Services Pty Ltd  
Level 2  
45 St Georges Terrace  
Perth WA 6000

or mailed to:

Poseidon Nickel Limited  
C/- Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne VIC 3001

by no later than 7.00pm AEST on the Closing Date.

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your Entitlements upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY® then your payment must be made before 4.00pm (AEST) on the Closing Date. Please read the instructions carefully. (Applicants should ensure they include their reference number if paying by BPAY®).

#### **4.4 Minimum Subscription**

The offer is fully underwritten and therefore the minimum subscription is the maximum subscription.

#### **4.5 Underwriting**

The Offer is fully underwritten by Forrest Family Investments Pty Limited (**Underwriter**), an entity controlled by Mr Andrew Forrest, a director of the

Company. Refer to Section 8.2 of this Prospectus for further details of the terms of the Underwriting Agreement with the Underwriter. The potential effect of the Underwriting Agreement on the Company is set out in Section 8.5 of this Prospectus.

#### **4.6 Shortfall Offer**

If you do not wish to take up any part of your Entitlement you are not required to take any action.

Any Entitlement not taken up pursuant to the Offer or sold by the nominee on behalf of non-qualifying foreign Shareholders will form the Shortfall Offer.

The offer of any Shortfall Shares is a separate offer made pursuant to this Prospectus and will remain open after the Closing Date.

Those Shareholders who take up their Entitlement in full are invited by the Company to apply for Shortfall Shares. Shareholders who wish to apply for Securities above their Entitlement (and participate in the Shortfall) can complete the relevant section of the Entitlement and Acceptance Form (titled "Additional New Securities") and return it, together with a cheque for the value of those Shortfall Shares (at \$0.10 per Share) to the Company.

Persons who wish to participate in the Shortfall who are not Shareholders must complete a Shortfall Application Form provided by the Company or the Underwriter and return it, together with application monies for the value of those Shortfall Shares to the Company. The Company is considering conducting a bookbuild for Shortfall Shares. This may result in persons who are not Shareholders subscribing for Shortfall Shares at a price in excess of \$0.10 per Shortfall Share.

The Shortfall shall be placed at the discretion of the Company, and the Underwriter (in consultation with the Company).

Under the Underwriting Agreement, the Company has the first right to allocate any Shortfall (in consultation with the Underwriter) until 7 Business Days after the Closing Date, after which the Underwriter has the right to allocate any remaining unallocated Shortfall by no later than 12 Business Days after the Closing Date.

It is the intention of the Directors to allocate the Shortfall Shares:

- (a) firstly to Shareholders who are not related parties or associates of the Underwriter; and
- (b) then, to sophisticated and professional investors who are not Shareholders who are not associates or related parties of the Underwriter. Refer to Section 5.6 for further details in relation to allocation of Shortfall to sophisticated and professional investors.

The Directors intend to fully satisfy any application by a Shareholder for Shortfall Shares, subject only to the limitation that Shortfall Shares will not be allocated so as to increase a Shareholder's relevant interest in the Company above 20% or that if the Shortfall is oversubscribed by Shareholders, the Company intends to pro rata scale back Shareholder applications for Shortfall.

The Company (and the Underwriter) reserve the right to allot to an applicant a lesser number of Shortfall Shares than the number for which the applicant applies, or to reject an application for Shortfall Shares.

#### **4.7 Entitlement and Acceptance Form and Shortfall Application Forms are binding**

A completed and lodged Entitlement and Acceptance Form or Shortfall Application Form, together with the application monies for the number of Shares applied for, cannot be withdrawn and constitutes a binding application for the number of Shares specified in the Entitlement and Acceptance Form or Shortfall Application Form on the terms set out in this Prospectus. The Entitlement and Acceptance Form and Shortfall Application Form do not need to be signed to be binding on the applicant.

If the Entitlement and Acceptance Form or Shortfall Application Form is not completed correctly, the Company, in its absolute discretion, can reject it or treat it as valid. The Company's decision as to whether to accept or reject an Entitlement and Acceptance Form or Shortfall Application Form or how to construe, amend or complete it is final.

#### **4.8 Rights and liabilities attaching to Shares issued under the Offer**

All Shares issued pursuant to the Offer will, from the time they are issued, rank *pari passu* with all the Company's existing Shares. The rights and liabilities attaching to Shares issued under the Offer are set out in Section 6 of this Prospectus.

#### **4.9 Australian Securities Exchange Listing**

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

#### **4.10 Allotment of Shares**

Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Shares on the basis of a Shareholder's Entitlement. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Shares issued pursuant to the Shortfall Offer will be allotted on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no allotment is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

#### **4.11 Overseas Shareholders**

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia and New Zealand.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlements under the Offer.

Pursuant to ASX Listing Rule 7.7, the Company will appoint a nominee to sell the Entitlements to which non-qualifying foreign shareholders are entitled. The net proceeds (if any) of the sale of each Entitlement will then be forwarded by the Company's share registry as soon as practicable to the non-qualifying foreign shareholders. There can be no guarantee that a market for the Entitlement of non-qualifying Shareholders will exist and the nominee is under no obligation to take up any Entitlement for which it is unable to find a qualified buyer. The nominee will have the absolute and sole discretion to determine the timing and the price at which the Entitlements may be sold and the manner in which any sale is made.

Neither the Company nor the nominee will be liable for a failure to sell Entitlements or to sell Entitlements at any particular price.

#### **4.12 Taxation Implications**

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, and the Underwriter do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Shares offered pursuant to this Prospectus.

#### **4.13 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship**

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

#### **4.14 Privacy Act**

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

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## 5. COMPANY UPDATE AND PURPOSE AND EFFECT OF THE OFFER

### 5.1 Update on the Company and Purpose of the Offer

The purpose of the Offer is to raise approximately \$20,000,000 (before expenses). The proceeds of the Offer are planned to be used in accordance with the table set out below:

<b>Proceeds of the Offer (full subscription)</b>	<b>A\$</b>
Early works associated with the construction of the Windarra Nickel Project including critical path items such as the box cut for Cerberus, certain long lead items for the concentrator and an extension to the accommodation village.	\$6,000,000
Exploration and Development drilling activities for Windarra Nickel Project	\$2,500,000
Working Capital	\$10,376,000
Expenses of the Offer	\$1,124,000
<b>Total</b>	<b>\$20,000,000</b>

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

### 5.2 Effect of the Offer and Pro Forma Consolidated Balance Sheet

The principal effect of the Offer will be to (assuming full subscription and assuming no existing Options are exercised prior to the Record Date):

- (a) increase the cash reserves by approximately \$20,000,000 before deducting the capital raising fees of the Offer detailed in Section 7.8 of this Prospectus; and
- (b) increase the number of Shares on issue from 207,157,434, to approximately 407,064,357,

following completion of the Offer.

### 5.3 Consolidated Balance Sheet

The unaudited Consolidated Balance Sheet as at 31 December 2011 and the unaudited Pro Forma Consolidated Balance Sheet as at 31 December 2011 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Shares pursuant to the Offer in this Prospectus are issued.



The unaudited Consolidated Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

**Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet as at 31 December 2011**

A summary of the Company's unaudited Statement of Consolidated Financial Position as at 31 December 2011 (based on its management accounts) and adjusted pro forma as at 31 December 2011 is detailed below.

	<b>Unaudited 31 December 2011 \$</b>	<b>Pro-forma 31 December 2011 \$</b>
<b>Current Assets</b>		
Cash & cash equivalents	4,853,852	27,024,626
Trade & other receivables	710,688	710,688
<b>Total current assets</b>	<b>5,564,540</b>	<b>27,735,314</b>
<b>Non Current Assets</b>		
Property, plant and equipment	2,680,919	2,680,919
Exploration & evaluation expenditure	52,271,568	56,977,032
Other investments	319,038	319,038
Other	3,500,000	3,500,000
<b>Total non-current assets</b>	<b>58,771,525</b>	<b>63,476,989</b>
<b>Total assets</b>	<b>64,336,065</b>	<b>91,212,303</b>
<b>Current Liabilities</b>		-
Trade and other payables	2,518,018	2,518,018
Loans and borrowings	15,579,992	15,579,992
Convertible note derivative	11,505,944	11,505,944
Employee benefits	74,483	74,483
Provisions	3,500,000	3,500,000
<b>Total current liabilities</b>	<b>33,178,437</b>	<b>33,178,437</b>
<b>Non Current Liabilities</b>		
Loans and borrowings	-	8,000,000
<b>Total non-current liabilities</b>	-	<b>8,000,000</b>
<b>Total Liabilities</b>	<b>33,178,437</b>	<b>41,178,437</b>
<b>Net assets</b>	<b>31,157,628</b>	<b>50,033,866</b>

<b>Equity</b>		
Contributed equity	80,718,126	99,594,364
Reserves	234,676,017	234,676,017
Retained earnings	(284,236,515)	(284,236,515)
<b>Total Equity</b>	<b>31,157,628</b>	<b>50,033,866</b>

The unaudited pro-forma consolidated statement of financial position in Section 5.3 reflects the following adjustments as if the Offer had occurred on 11 April 2012:

- (a) the maximum amount of the Offer of \$20,000,000 after deducting the capital raising fees outlined in section 8.9 of this Prospectus;
- (b) the \$8,000,000 Bridge Loan received on 30 March 2012 as outlined in section 8.3 of this Prospectus; and
- (c) the movement in the cash balance from 31 December 2011 as expenditure has been incurred in further developing the Windarra Nickel Project. The expenditure has been classified as "Exploration & Evaluation" expenditure and transferred to non-current assets.

#### **5.4 Financial forecasts**

The Company has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast information. The Company has concluded that, as at the date of this Prospectus, a reasonable basis does not exist for providing financial forecasts that would be sufficiently meaningful and reliable as required by the law, policy and market practice.

The financial performance of the Company in any period will be influenced by various factors that are outside the control of the Directors and that cannot, at this time, be predicted with a high level of confidence. In particular, the financial performance of the Company may be materially affected by world nickel prices, grades of ore processed and recovered at the processing facility and exchange rates.

#### **5.5 Effect on Capital Structure**

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed and assuming no existing Options are exercised prior to the Record Date.

## Shares

	<b>Number</b>
Shares on issue at date of Prospectus	207,157,434
Shares offered pursuant to the Offer	199,906,923
<b>Total Shares on issue after completion of the Offer</b>	<b>407,064,357</b>

## Options

	<b>Number</b>
Unquoted Options exercisable at \$0.40 expiring 31 July 2012.	2,500,000
Unquoted Options exercisable at \$0.25*, expiring 31 August 2012.	9,267,436
Unquoted Options exercisable at \$0.40, expiring 19 September 2012.	115,000,000
Unquoted Options exercisable at \$1.41*, expiring 22 October 2012.	533,000
Unquoted Options exercisable at \$0.80, expiring 19 December 2012.	2,000,000
Unquoted Options exercisable at \$0.25*, expiring 31 August 2016.	2,975,000
Unquoted Options exercisable at \$0.25*, expiring 23 November 2016.	4,500,000
Options offered pursuant to the Offer	Nil
<b>Total Options on issue after completion of the Offer</b>	<b>136,775,436</b>

\* The exercise price of these Options will be adjusted in accordance with ASX Listing Rule 6.22 on completion of the Offer, as provided for in the terms of the Options.

## Convertible Notes

	<b>Number</b>
Unquoted \$0.30 AUD Convertible Notes on issue at date of Prospectus*	64,945,608
Unquoted \$0.40 AUD Convertible Notes on issue at date of Prospectus*	36,531,904
Convertible Notes offered pursuant to the Offer	Nil
<b>Convertible Notes on issue after completion of the Offer</b>	<b>101,477,512</b>

\*Assuming an exchange rate of 1 AUD = 1.0265 USD.

### 5.6 Convertible Notes Participation Right

The terms of the Convertible Notes require the Company to make appropriate provision to ensure that, where there is a rights issue (as is the case with the Offer), the holders of the Convertible Notes have the right to receive the same Shares that they would have received if the Convertible Notes had been converted into Shares immediately before the record date for the rights issue.

This currently equates to a right to approximately 97,925,799 Shares at an issue price of \$0.10 per Share.

The Company must use its best endeavours to take any action that enables the Company to comply with the Corporations Act and the ASX Listing Rules and to also provide the above participation right.

The Company is currently in discussions with the holders of the Convertible Notes to determine how this participation right can be offered. If the holders wish to take up their participation right, the Company's current intention is to seek to offer Shortfall (after Shareholder applications for Shortfall are satisfied) to the holders of the Convertible Notes to satisfy the participation right.

In the event there is insufficient Shortfall to satisfy the participation right that holders of Convertible Notes wish to take up, the Company will seek to issue the holders with the necessary additional Shares by way of a placement at \$0.10 per Share.

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## **6. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES**

### **6.1 Terms of Shares**

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

### **6.2 General Meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act.

### **6.3 Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

### **6.4 Dividend Rights**

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. Subject to any special right as to dividends attaching to a share, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment). The Directors may from time to time pay or credit to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of

profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

### **6.5 Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

### **6.6 Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements that the registration of the transfer does not result in a contravention of or failure to observe the provisions of a law of Australia and the transfer does not breach the Corporations Act and the Listing Rules.

### **6.7 Future Increase in Capital**

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

### **6.8 Variation of Rights**

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders, vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may

be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

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## 7. RISK FACTORS

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. Potential Applicants should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### SPECIFIC RISKS

#### 7.1 Project Funding

Subject to successful completion of the Offer and the successful procurement of project funding (**Project Funding**), the directors expect that the Company will have sufficient funding to support the first phase of the Company's development of its Windarra Nickel Project. The Company has received expressions of interest and indicative term sheets from a number of leading banks and financiers which have indicated that it should be able to obtain the Project Funding sufficient for the purpose of project funding to completion of the first stage. Notwithstanding this expectation, the Company may require additional financing for exploration and development or for additional other capital expenditure in the future.

There can be no guarantee that the Project Funding or such additional funding will be obtained on acceptable terms or at all, particularly having regard to the current condition of global financial markets. If the Company seeks to obtain funding by way of a further equity raising, this may be dilutive to existing shareholders. If the Company is unable to obtain Project Funding or additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have an adverse affect on the Company's activities and could, in extreme circumstances, affect the Company's ability to continue as a going concern.

#### 7.2 Project

Poseidon's activities are focused primarily on the Windarra Nickel Project. Any adverse changes or developments affecting this project, such as, but not limited to, obtaining financing on commercially suitable terms, hire suitable personnel and mining contractors, receive the necessary government licences, obtaining reasonable concurrence of the Independent Technical Expert for the project Definitive Feasibility Study or secure an off-take agreement on commercially suitable terms, may have a material adverse effect on Poseidon's financial performance and results of operations. The current and future operation of the Company, including the operations following the completion of a Definitive Feasibility Study, are subject to operational risks, including (but not limited to) adverse geological conditions, unanticipated operational and technical difficulties and the inability to obtain necessary consent and approvals.



### **7.3 Fluctuations in Metal Prices**

The price of nickel, gold and other base metals and other minerals fluctuates widely and is affected by numerous factors beyond the control of Poseidon such as industrial and retail supply and demand, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers.

Future production from Poseidon's mining properties at the Windarra Nickel Project are dependent upon the price of nickel, gold and other base metals and other minerals being adequate to make these properties economic. Future serious price declines in the market value of nickel and gold, other base metals or other minerals could cause continued development of, and eventually commercial production from, the Windarra Nickel Project and the Company's other properties to be rendered uneconomic.

Depending on the price of nickel, gold and other base metals and other minerals, Poseidon could be forced to discontinue production or development and may lose its interest in, or may be forced to sell, some of its properties. There is no assurance that, even as commercial quantities of nickel gold and other base metals are produced, a profitable market will exist for them.

In addition to adversely affecting the reserve estimates of Poseidon and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### **7.4 Environmental risks and regulations**

The Company's projects are subject to laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed. The Company has not yet received environmental approval for its projects.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by the conditions attaching to the Tenements.

#### **GENERAL RISKS**

### **7.5 Operating Risks**

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- (a) adverse geological conditions;
- (b) limitations on activities due to seasonal weather patterns, heavy localised rainfall and cyclone activity;
- (c) unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities;
- (d) mechanical failure of operating plant and equipment;
- (e) industrial and environmental accidents, industrial disputes and other force majeure events;
- (f) unavailability of necessary support services in a timely fashion to support activities on site;
- (g) unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment; and
- (h) inability to obtain necessary consents or approvals.

#### **7.6 Infrastructure availability**

The development of the Company's projects will require access to suitable infrastructure facilities including road, rail, gas and port facilities. Notwithstanding the relative proximity of the Company's projects to current, proposed and/or potential infrastructure facilities there is no guarantee that the Company will be able to agree suitable commercial arrangements with owners of the infrastructure facilities to use the facilities. In addition, there is no guarantee that there will be available capacity at existing infrastructure facilities to cater for any future production. Inability to access infrastructure may impact on the Company's ability to develop its projects or lead to delays in the development of the projects until infrastructure facilities are available.

#### **7.7 Future funding requirements**

Even if the Offer is completed successfully, the Company will require additional funding in the future in order to develop its business, including the exploration and development of any projects. In addition, it is highly likely that regardless of the successful completion of the Offer, the Company will also need to undertake an additional capital raising to raise additional funds to meet the administration and working capital costs in the medium to long term.

Any additional equity financing may be dilutive to Shareholders and any project financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

Further, there can be no assurance that any such equity or project funding will be available for the Company on favourable terms or at all. If adequate funds are not available on acceptable terms, there is significant uncertainty as to whether the Company can continue as a going concern.

Accordingly, the Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

## **7.8 Resource estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to activities planned with respect to the Company's projects, which may, in turn, adversely affect the Company's operations.

## **7.9 Exploration, Development, Mining and Processing Risks**

There is no assurance that nickel, gold or other base metals will be discovered in the areas in which the Company has an interest. Even if further nickel, gold or other base metals are discovered in those areas, there is no assurance that commercial quantities of these minerals can be recovered from the Company's permits.

Mineral exploration, project development and mining by their nature contain elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- (a) the discovery and/or acquisition of economically recoverable ore resources;
- (b) successful conclusions to bankable feasibility studies;
- (c) access to adequate capital for project development;
- (d) design and construction of efficient mining and processing facilities within capital expenditure budgets;
- (e) securing and maintaining title to tenements;
- (f) obtaining consents and approvals necessary for the conduct of exploration and mining;
- (g) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants;
- (h) native title risks; and
- (i) adverse weather conditions over a prolonged period which may adversely affect exploration and mining operations and the timing of revenues.

Whether or not income will result from development of tenements depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development and mining operations.

## **7.10 Metallurgy**

Metal or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as:

- (a) identifying a metallurgical process through test work to produce a saleable metal or concentrate;
- (b) developing an economic process route to produce a metal or concentrate; and
- (c) changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

## **7.11 Title risk and native title**

The permits in which the Company will, or may, in the future, acquire an interest, are subject to the applicable local laws and regulations. There is no guarantee that any permit, applications or conversions in which the Company has a current or potential interest will be granted.

Permits (or applications) in which the Company has an interest are (or, if granted, will be) subject to the relevant conditions applying in each jurisdiction. Failure to comply with these conditions may render the permits liable to forfeiture.

All of the projects in which the Company has an interest will be subject to application for permit renewal from time to time. Renewal of the term of each permit is subject to applicable legislation. If the permit is not renewed for any reason, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that permit.

The projects in which the Company has an interest extend over areas in which legitimate common law native title rights of indigenous Australians exist. The ability of the Company to gain access to its projects and to conduct exploration, development and mining operations remains subject to native title rights and the terms of registered native title agreements. The Directors will closely monitor the potential effect of native title claims on its projects.

## **7.12 Ability to exploit success**

Any successful exploitation of discoveries would require obtaining the necessary production permit and the relevant government approvals as required by the relevant Government agencies. The required approvals may be issued at the discretion of the relevant authorities and might be issued subject to conditions or preconditions.

## **7.13 Future performance of business activities**

The value of the Company's business activities is subject to the various and unpredictable influences of the market it operates in and the economy in general. Accordingly, adverse economic and market conditions may be experienced by the Company which are outside of its control and may have an adverse effect on the Company.

#### **7.14 Economic Risks**

General economic conditions, movements in commodity prices, interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

#### **7.15 Security Investments**

Applicants should be aware that there are risks associated with any securities investment. Shares listed on the stock market and, in particular, securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

#### **7.16 Legislative changes, Government policy and approvals**

Changes in government regulations and policies may adversely affect the financial performance of the Company. For example, any increased rentals under the relevant legislation may impact on the Company's actual financial statements. The Company's capacity to explore and exploit any projects may be affected by changes in government policy, which are beyond the control of the Company.

#### **7.17 Minerals Resource Rent Tax**

On 2 July 2010, the Federal Government announced that a Minerals Resource Rent Tax (**MRRT**) will be introduced on 1 July 2012 and will apply to all new and existing iron ore and coal projects in Australia. The MRRT rate is 30% and producers will be taxed on the value of minerals extracted.

#### **7.18 Reliance on Key Personnel and Employees**

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

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## **8. ADDITIONAL INFORMATION**

### **8.1 Continuous Disclosure Obligations**

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the financial statements of the Company for the financial year ended 30 June 2010 being the last financial statements for a

financial year, of the Company lodged with the ASIC before the issue of this Prospectus;

- (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for the year ended 30 June 2010 lodged with the ASIC before the issue of this Prospectus; and
- (iii) any documents used to notify the ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2011 audited financial statements:

<b>Date</b>	<b>Description of Announcement</b>
04/04/2012	Appendix 3Y Mr Forrest
04/04/2012	Appendix 3Y Mr Brayshaw
04/04/2012	Appendix 3Y Mr Indermaur
04/04/2012	Appendix 3Y Mr Monti
03/04/2012	Appendix 3B Renounceable Rights Issue
03/04/2012	Commencement of Project Funding for Windarra Nickel Project
03/04/2012	Appendix 3B Share Issue to Directors
30/03/2012	Trading Halt
15/03/2012	Interim Financial Report to 31 December 2011
31/01/2012	Quarterly Report to the period 31 December 2011
31/01/2012	Potential New High Grade Ore Body at the Windarra Nickel Project
27/01/2012	Appendix 3B
27/01/2012	Appendix 3Y Mr Indermaur
27/01/2012	Appendix 3Y Mr Forrest
27/01/2012	Appendix 3Y Mr Brayshaw

27/01/2012	Appendix 3Y Mr Monti
20/01/2012	Documentation for Approvals now Submitted to DSD
22/12/2011	Notification under Section 708A(5)(E)
20/12/2011	Appendix 3B
20/12/2011	Appendix 3Y Mr Singleton
20/12/2011	Appendix 3Y Mr Forrest
20/12/2011	Appendix 3Y Mr Indermaur
20/12/2011	Appendix 3Y Mr Brayshaw
20/12/2011	Appendix 3Y Mr Monti
13/12/2011	Windarra Nickel Project Environmental Approval Update
01/12/2011	Resource Increase of 25% at Windarra Nickel Project
28/11/2011	AMENDED Presentation at 2011 Annual General Meeting
22/11/2011	2011 Annual General meeting Results
22/11/2011	2011 Results of Annual General Meeting
09/11/2011	Mount Windarra Mining Proposal
07/11/2011	Section 708A(5)(E) Notice
04/11/2011	Expiration of Quoted Options (POSOA)
01/11/2011	Appendix 3B
31/10/2011	Quarterly Reports for the period ended 30 September 2011
27/10/2011	ERJ: Enerji Signs MoU with Poseidon Nickel
25/10/2011	Poseidon to Double Mine Throughput
21/10/2011	Notice of 2011 Annual General Meeting

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website [www.poseidon-nickel.com.au](http://www.poseidon-nickel.com.au).



## 8.2 Underwriting Agreement

Pursuant to an agreement between Underwriter and the Company, the Underwriter has agreed to fully underwrite the Offer up to the amount of \$20,000,000 (**Underwriting Agreement**). The Underwriter is a entity controlled by Mr Andrew Forrest, a director of the Company.

Pursuant to the Underwriting Agreement, the Company has agreed to:

- (a) pay the Underwriter 5% of the underwritten amount reduced by:
  - (i) the amount that the Underwriter, as a Shareholder, would have to pay if it subscribed for its full entitlement under the Offer; and
  - (ii) the amount of any broker fees paid by the Company as a result of trading of rights to Shares under the Offer; and
- (b) reimburse the Underwriter in relation to all costs and expenses, including but not limited to legal expenses and reasonable marketing expenses incurred by the Underwriter in respect of the Offer.

From the Closing Date until the date which is 7 business days after the Closing Date (**Shortfall Notice Deadline Date**), the Board has the right to nominate and determine who is to receive the shortfall Shares in its absolute discretion. From 12.00pm on the Shortfall Notice Deadline Date, the Underwriter, in consultation with the Board, has the right to nominate and determine who is to receive any shortfall Shares that have not been allocated by the Board, in its absolute discretion.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. These events of termination are considered standard for an agreement of this nature. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of specified events, including if:

- (a) (**Debt facilities**): a Related Corporation breaches, or defaults under, any material provision, undertaking, covenant or ratio of a material debt or financing arrangement or any related documentation to which that entity is party which has a material adverse effect on the Company, or an event of default, potential event of default or review event occurs which gives a lender or financier the right to accelerate or require repayment of the debt, and which is not remedied by the Company in accordance with its terms;
- (b) (**Market fall**): either the S&P ASX 200 Resources Index or the price of nickel (for cash buyers on the London Metal Exchange) closes at a level that is 10% or more below the level at market close on the date of the Underwriting Agreement, on the day which is 4 Business Days after the Shortfall Notice Deadline Date; or
- (c) (**Market Conditions**): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, the People's Republic of China, Japan, the United

Kingdom, the United States of America or other international financial markets.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type. No other benefits will be given to the Underwriter except those disclosed in this Prospectus.

### **8.3 Bridge Loan**

As announced to the ASX on 3 April 2012, the Company has entered into an unsecured bridge loan of \$8,000,000 with the Underwriter (**Bridge Loan**). The Bridge Loan is intended to fund the Company's technical activities as well as undertaking risk reduction activities for the Company's projects.

### **8.4 Related Party Underwriting**

The Underwriter is a related party of the Company by virtue of being controlled by the Company's Chairman, Mr Forrest.

The Company has not sought Shareholder approval for the execution of the Underwriting Agreement on the basis that it has been negotiated at arm's length and contains standard commercial terms and therefore falls within the exception in Section 210 of the *Corporations Act 2001* (Cth).

In support of this, the Company advises that:

- (a) Mr Forrest has been excluded from any discussions by the Board in relation to the Underwriting Agreement, and the Underwriter has been separately represented in negotiations;
- (b) the Company considered a number of alternative potential independent underwriters but the terms offered by the Underwriter were the most favourable. In particular, the Underwriter has agreed that the Company has the first right to place any Shortfall under the Offer. The Company anticipates using this priority right to avoid the Underwriter obtaining more than a 20% shareholding in the Company;
- (c) the Company has chosen a renounceable rights issue at a substantial discount to the Company's recent market price to encourage take up of the Offer and is encouraging Shareholders to apply for Shortfall Shares above their Entitlement; and
- (d) the Underwriter will not benefit from the proposed use of capital, other than as a holder of Shares.

It is the view of the Directors that the Offer Period gives Shareholders reasonable opportunity to accept the Offer.

### **8.5 Effect of the Offer on control of the Company**

Assuming that the holders of the Convertible Notes do not elect to exercise their right to receive Shares (as outlined in Section 5.6), the potential effect that the issue of Shares under the Offer will have on the control of the Company is as follows:

- (a) if all Shareholders take up all of the Entitlement under the Offer, the percentage interest in the Shares of the Company held by the Underwriter and any sub-underwriters to the Offer (and any other major Shareholders) would not change and there would not be any effect on the control of the Company; and
- (b) if some or all of the Shareholders do not take up their Entitlement under the Offer, and there is Shortfall, then the Underwriter and any sub-underwriters to the Offer will be required to subscribe for the Shares which make up the Shortfall. This would have the following effect on the control of the Company.

The Underwriter has agreed to underwrite up to a maximum of approximately 200,000,000 Shares.

If there are no subscribers to the Offer (i.e. 100% Shortfall) this will result in Mr Forrest's voting power in the Company (and his associates, including the Underwriter) increasing from 2.41% as at the date of this Prospectus to 50.3% of the issued capital of the Company following the Offer, assuming no Shares are issued pursuant to the Offer, other than the 4,825,000 Shares Mr Forrest is entitled to take up (as outlined in section 8.6 below, Mr Forrest indirectly holds 5,000,000 Shares through Minderoo Pty Ltd).

The table below sets out various scenarios to indicate the effect on the Mr Forrest's voting power in the Company depending on the Shortfall (if any). The potential maximum increase in the voting power of Mr Forrest and his associates, is set out below (100% Shortfall) and will only occur if no Shareholders take up their entitlement under the Offer.

<b>Event</b>	<b>Number of Shares Held by Mr Forrest and his associates</b>	<b>Relevant interest in the Company*</b>
As at date of the Prospectus	5,000,000	2.41%
Assuming 25% Shortfall	49,976,731	12.3%
Assuming 50% Shortfall	104,953,461	25.8%
Assuming 75% Shortfall	154,930,192	38.1%
Assuming 100% Shortfall	204,906,923	50.3%

\* Calculation assumes that the holders of the Convertible Notes do not elect to exercise their right to receive Shares (as outlined in section 5.6).

While the Underwriter can theoretically acquire control of the Company as a result of the Offer, the Company does not anticipate that this will occur given the structure of the Offer and the reasons set out in section 8.4 of the Prospectus.

It is the intention of the Directors to firstly allocate the Shortfall Shares so as not to increase Mr Forrest (and the Underwriter's) voting power in the Company.

The Underwriter has informed the Company that, if it were to gain effective control of the Company by virtue of the underwriting of the Offer, it will:

- (a) generally continue the business of the Company. This involves continued development of the Windarra Nickel Project;
- (b) not make any major changes to the business of the Company, its financial or dividend distribution policies, nor redeploy any of the fixed assets of the Company. Other than as disclosed to the market, the Underwriter has no present intention to inject further capital into the Company; and
- (c) continue the employment of the Company's present employees and assist with the ongoing efforts to secure suitable executive management,

The intentions and statements of future conduct set out above must also be read as being subject to the legal obligation of the Directors at the time, including any nominees of the Underwriter, to act in good faith in the best interest of the Company and for proper purposes and to have regard to the interests of Shareholders.

The implementation of the Underwriter's current intentions will be subject to the law (including the Corporations Act), the ASX Listing Rules and the Company's constitution. In particular, the requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interest and "related party" transactions will apply.

The Underwriter would only make a decision on its courses of action in light of material facts and circumstances at the relevant time and after it receives appropriate legal and financial advice on such matters, where required, including in relation to any requirements for Shareholder approval.

The statements above are of current intention only which may change as new information becomes available or circumstances change. The statements should be read in this context.

## **8.6 Directors' interests**

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for

services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

The Directors' interests in securities of the Company at the date of this Prospectus are set out in the table below<sup>1</sup>:

Name	Shares	Options	Share Entitlement <sup>7</sup>
Andrew Forrest <sup>2</sup>	5,000,000	115,000,000	4,825,000
David Singleton <sup>3</sup>	4,640,000	5,000,000	4,477,600
Richard Monti <sup>4</sup>	1,215,805	1,500,000	1,173,251
Chris Indermaur <sup>5</sup>	936,375	1,000,000	903,601
Geoff Brayshaw <sup>6</sup>	1,035,166	250,000	998,935

**Notes:**

- Each of the Directors reserves the right to subscribe for their Entitlement under the Offer either in whole or in part.
- Mr Forrest indirectly holds 5,000,000 Shares and 115,000,000 unlisted Options with an exercise price of \$0.40 and an expiry date of 19 September 2012, through Minderoo Pty Ltd ACN 087 437 312, a company controlled by Mr Forrest, as trustee for the Andrew and Nicola Forrest Family Investment Trust.
- Mr Singleton directly holds 4,460,000 Shares and 2,000,000 unlisted Options with an exercise price of \$0.80 on or before 31 December 2012, and Mr Singleton has an indirect interest through his wife, Mrs Jill Singleton, in 200,000 Shares and 3,000,000 unlisted Options with an exercise price of \$0.25 and an expiry date of 23 November 2016.
- Mr Monti holds 1,215,805 Shares, 1,250,000 unlisted Options exercisable at \$0.40 on or before 31 July 2012, and 250,000 unlisted Options exercisable at \$0.25 on or before 23 November 2016, through Greatcity Corporation Pty Ltd, a company controlled by Mr Monti.
- Mr Indermaur holds 1,000,000 unlisted Options exercisable at \$0.25 on or before 23 November 2016.
- Mr Brayshaw holds 250,000 unlisted Options exercisable at \$0.25 on or before 23 November 2016.
- Assumes no Options exercised prior to Record Date.

It is the current intention of the Directors to take up 100% of their respective Entitlements. The Constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate cash-based remuneration for Non-Executive Directors has been set at an amount not to exceed \$350,000 per annum.

The cash-based remuneration of Executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

The Company paid the current Directors cash and non-cash benefits totalling \$258,354 for the year ended 30 June 2010 and \$250,774 for the year ended 30

June 2011. In addition, to the above, the current Directors have been paid fees totalling \$195,775 from the end of the previous financial year until the date of this Prospectus. Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

The Directors received the following remuneration and equity benefits for the preceding two financial years:

<b>Director</b>	<b>Year</b>	<b>Salary &amp; Fees \$</b>	<b>Super-annuation \$</b>	<b>Options \$</b>	<b>Shares and Other non-cash Benefits \$</b>	<b>Total</b>
Andrew Forrest <sup>1</sup>	2011	-	-	-	45,595	<b>45,595</b>
	2010	-	-	-	43,842	<b>43,842</b>
David Singleton	2011	439,664	25,000	304,294	58,500	<b>827,458</b>
	2010	418,106	25,000	396,442	34,940	<b>874,487</b>
Richard Monti	2011	-	-	3,210	62,693	<b>65,904</b>
	2010	-	-	-	60,282	<b>60,282</b>
Chris Indermaur	2011	-	-	12,840	74,092	<b>86,932</b>
	2010	-	-	-	88,468	<b>88,468</b>
Geoff Brayshaw	2011	-	-	3,210	68,393	<b>71,603</b>
	2010	-	-	-	65,762	<b>65,762</b>

## **8.7 Interests and consents of experts and advisers**

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer of securities

pursuant to this Prospectus; or

- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Each of the parties referred to in this Section:

- (i) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (ii) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Pursuant to Section 716 of the Corporations Act, the Underwriter has given, and has not withdrawn, its consent to being named as Underwriter to the Offer in the Corporate Directory of this Prospectus and the inclusion of statements contained in the Prospectus by the Underwriter, or which are stated to be based on statements by the Underwriter, in the form and context in which they are included.

The Underwriter is not currently a Shareholder of the Company. However the Underwriter is controlled by Mr Forrest, a director of the Company, who has a relevant interest in 5,000,000 Shares and 115,000,000 unlisted Options. Further details regarding the impact of this Offer on the interest of Mr Forrest is outlined in section 8.5.

The fees that the Underwriter will be paid in relation to the Offer pursuant to the Underwriting Agreement are set out in Section 8.2.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn, its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named.

Steinepreis Paganin has acted as solicitors to the Company. Steinepreis Paganin estimates it will be paid approximately \$30,000 for services in relation to this Prospectus. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees from the Company for legal services of \$234,975.50.

Pursuant to Section 716 of the Corporations Act, KPMG has given, and has not withdrawn its consent to being named as Auditor to the Company in the Corporate Directory of this Prospectus.

## 8.8 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

## 8.9 Estimated Expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer, on a GST exclusive basis, are expected to be as follows:

	\$
ASIC fees	2,137
ASX fees	24,250
Maximum underwriting fees <sup>1</sup>	975,875
Legal expenses	60,000
Share registry expenses	35,500
Printing, mailing and other expenses	26,000
<b>Total</b>	<u>1,123,762</u>

### Notes:

1. Represents a fee of 5% of the maximum number of Shares being underwritten, being 200,000,000, minus 4,825,000 Shares, being the Entitlement of entities associated with the Underwriter. The underwriting fee above is also to be reduced by the amount of any broker fees paid by the Company as a result of trading of rights to Shares under the Offer.

## 8.10 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.190 on 2 March 2012

Lowest: \$0.165 on 23 March 2012

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.175.

## 8.11 Taxation

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.



## **8.12 Electronic Prospectus**

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

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**9. AUTHORITY OF DIRECTORS**

**9.1 Directors' Consent**

Each of the Directors of Poseidon Nickel Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act

Dated the 11th April 2012

**Signed for and on behalf of  
Poseidon Nickel Limited  
Mr David Singleton  
Chief Executive Officer and Managing Director**

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## 10. DEFINITIONS

**AEST** means Australian Eastern Standard Time.

**Applicant** means a Shareholder, Underwriter, any sub-underwriter or other party instructed by the Underwriter who applies for Shares pursuant to the Offer or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

**ASIC** means the Australian Securities and Investments Commission.

**ASX Settlement Operating Rules** means the settlement rules of the securities clearing house which operates CHES.

**ASX** means the ASX Limited (ACN 008 624 691).

**AUD** means Australian dollar.

**Board** means the board of Directors unless the context indicates otherwise.

**Bridge Loan** means the \$8,000,000 bridge loan provided by the Underwriter to the Company, as announced to the ASX on 3 April 2012.

**Business Day** means a day on which trading takes place on the stock market of ASX.

**Closing Date** means the closing date of the Offer as set out in Section 1, (unless extended).

**Company** means Poseidon Nickel Limited (ACN 060 525 206).

**Constitution** means the Company's Constitution as at the date of this Prospectus.

**Corporations Act** means the *Corporations Act 2001*(Cth).

**DFS** means a definitive feasibility study in relation to the Windarra Nickel Project.

**Directors** means the directors of the Company at the date of this Prospectus.

**Dollar** or "\$" means Australian dollars.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**Entitlement and Acceptance Form** means the entitlement and acceptance form either attached to or accompanying this Prospectus in relation to the Offer.

**Listing Rules** or **ASX Listing Rules** means the Listing Rules of the ASX.

**Offer** means the renounceable Offer pursuant to the Prospectus of up to approximately 199,973,014 Shares on the basis of 0.965 Shares for every one (1) Share held by Shareholders on the Record Date at an issue price of \$0.10 per Share to raise approximately \$20,000,000.

**Offer Period** means the period commencing on the Opening Date and ending on the Closing Date.

**Official Quotation** means the grant by ASX of official quotation of all of the Shares the subject of the Offer.

**Opening Date** means the opening date of the Offer as set out in Section 1, being 27 April 2012.

**Option** means an option to acquire a Share.

**Prospectus** means this prospectus.

**Record Date** means 7.00pm (AEST) on the Record Date of the Offer as set out in Section 1.

**Related Corporation** has the meaning given to that term in the Corporations Act.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Shortfall** or **Shortfall Shares** means those Shares under the Offer not applied for by Shareholders under their Entitlement or sold by the nominee appointed by the Company.

**Shortfall Application Form** means the shortfall application form to be provided by the Company or the Underwriter, in their discretion, to investors who have expressed an interest in subscribing for Shortfall Shares.

**Shortfall Offer** means the offer of the Shortfall on the terms and conditions set out in Section 4.6 of this Prospectus.

**Underwriter** means Forrest Family Investments Pty Limited (ACN 055 961 361).

**Underwriting Agreement** means the underwriting agreement between the Underwriter and the Company, pursuant to which the Underwriter will underwrite the Offer to the amount of \$20,000,000.

**USD** means the United States dollar.

**WNP** or **Windarra Nickel Project** means the refurbishment and recommissioning of the existing mine and Mt Windarra, the development of the greenfields mine referred to as Cerberus, the reprocessing of gold and nickel tailings at the site and the construction of a nickel flotation plant and gold and nickel leach facility at the Mt Windarra site as well as the recommissioning and utilisation of various infrastructure on the site including buildings roadways, shafts, haulage equipment etc.