



## POSEIDON NICKEL LIMITED

13 April 2012

POSEIDON\CORRESPONDENCE\657

Dear Shareholder

### Pro-Rata Renounceable Entitlement Issue

Poseidon Nickel Limited (**Poseidon of The Company**) announced to the ASX Limited on 3 April 2012 a 0.965 for one (1) pro-rata renounceable entitlement issue (**Rights Issue** or **Offer**) of approximately 199,906,923 new fully paid shares (**New Shares**) at an issue price of \$0.10 per Share to raise approximately \$20,000,000. The funds raised from the Offer will be used for the equity portion of proposed overall project funding structure.

Forrest Family Investments Pty Ltd, an entity controlled by the Company's Chairman Mr Andrew Forrest has entered into an Underwriting Agreement with the Company to fully underwrite the Offer. The Company must pay the Underwriter an underwriting fee of 5% of the total amount raised pursuant to the Offer (less certain amounts). The Company must also reimburse the Underwriter for costs incidental to the Offer.

The Offer is being made to all shareholders of the Company named on the register at 7.00pm (AEST) on 20 April 2012, whose registered address is in Australia or New Zealand.

The timetable and important dates of the issue are set out below:

Lodgement of Prospectus with ASIC	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	20 April 2012
Prospectus dispatched to Shareholders	27 April 2012
Rights trading ceases	4 May 2012
Securities quoted on a deferred settlement basis	7 May 2012
Closing Date of Offer	11 May 2012
Notify ASX of under-subscriptions	16 May 2012
Despatch date/Shares entered into Shareholders' security holdings	21 May 2012

The capital structure of the Company on completion of the Offer will be as follows:

**Shares**

	<b>Number</b>
Shares currently on issue	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>
Unlisted Options (expiry date 31 July 2012)	2,500,000
Unlisted Options (expiry date 31 August 2012)	9,267,436
Unlisted Options (expiry date 19 September 2012)	115,000,000
Unlisted Options (expiry date 22 October 2012)	533,000
Unlisted Options (expiry date 19 December 2012)	2,000,000
Unlisted Options (expiry date 31 August 2016 Employee)	2,975,000
Unlisted Options (expiry date 23 November 2016)	4,500,000
March 2011 six (6) year USD \$15m Unsecured Convertible Notes valued on an exchange rate of \$1.0265 convertible at \$0.40	36,531,904
March 2011 six (6) year USD \$15m Unsecured Convertible Notes valued on an exchange rate of \$1.0265 convertible at \$0.30	64,945,608
Options offered pursuant to the Offer	Nil
<b>Total Options on issue after completion of the Offer</b>	<b>238,252,948</b>

The Company anticipates lodging a Prospectus for the Offer with the ASIC and ASX on 11 April 2012 and is available on the Company's and ASX website at [www.asx.com.au](http://www.asx.com.au) for inspection.

Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form no later than 27 April 2012. Your entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Prospectus.

For the purposes of calculating each Eligible Shareholders' entitlement, fractions of entitlements have been rounded down to the nearest whole number of New Shares.

**Actions required of Eligible Shareholders**

There are a number of actions Eligible Shareholders may take:

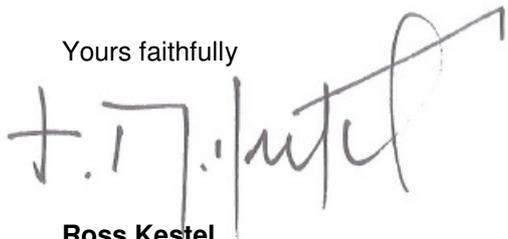
- You may take up all or some of your rights to subscribe for New Shares pursuant to the Prospectus (**Entitlements**). To take up all or some of your Entitlements you will need to ensure your application money for the Entitlements you wish to take up is received by Computershare Investor Services Pty Limited (**Share Registry**) by no later than 5.00pm (AEST) on 11 May 2012, by either completing and returning your Entitlement and Acceptance Form together with your application money or making a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form.
- You may seek to sell all or some of your Entitlements on ASX. You can seek to sell your Entitlements on ASX from 16 April 2012 until the close of market on 4 May 2012. To sell any of your Entitlements you need to contact your broker as soon as possible.
- You may transfer all or some of your Entitlements to another person other than on ASX. To transfer all or some of your Entitlements you will either need to contact your CHESS Controlling Participant (usually your broker) and follow their instructions or complete a renunciation and transfer form (which can be obtained from Share Registry) and return it, together with the purchaser's cheque for the

Entitlements they wish to take up so that it is received by the Share Registry by no later than 5.00pm AEST on 11 May 2012.

- You may do nothing. If you choose to do nothing with your Entitlements, while you will continue to hold the same number of Shares, your interest in the Company will be diluted and you will receive no value for your Entitlement.

This notice is important and requires your immediate attention. If you have any queries concerning the Renounceable Entitlement Issue, please contact the Company Secretary on +61 8 9367 8133.

Yours faithfully

A handwritten signature in black ink, appearing to read 'R. Kestel', with a large, sweeping flourish extending upwards and to the right.

**Ross Kestel**  
**Company Secretary**