

13 April 2012

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Dear Optionholder

Pro-Rata Renounceable Entitlement Issue

We are writing to you in relation to your option holding in Poseidon Nickel Limited (**Poseidon or the Company**).

Poseidon 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.

The Company anticipates lodging a Prospectus for the Offer with the ASIC and ASX on 11 April 2012.

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.

Pursuant to the terms of the Options that were issued to you, Poseidon is required to notify you of your right to participate in any pro rata issue of securities.

The terms and conditions of the options you currently hold only allow you to participate in the Rights Issue following the exercise your options. Options must be exercised prior to the Record Date being on or before 5.00pm (AEST) on 20 April 2012.

To exercise your options and thereby participate in the Offer, you will need to complete the following to the Company at PO Box 190, West Perth, WA, 6872:

- i. A notice of exercise of options (attached to this letter);
- ii. An option certificate (where the options are certificated) or a copy of a holding statement (where the options are uncertificated) in respect of those options to be exercised; and
- iii. Payment for the exercise price in respect of those options to be exercised by way of a cheque made payable to "Poseidon Nickel Limited".

Once you have exercised your Options and they have been converted to Ordinary Shares you will be eligible to participate in the Offer.

Poseidon anticipates dispatching the Prospectus to Shareholders of the Company on 27 April 2012. The Prospectus outlines the Offer in detail and will include an Entitlement and Acceptance Form.

To ensure that your new Shares under the Offer are allotted, the Entitlement and Acceptance Form must be received no later than 5.00pm (AEST) on 11 May 2012.

This notice is important and requires your immediate attention. It 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 'D. Singleton', with a long horizontal flourish extending to the right.

David P.A. Singleton
Managing Director &
Chief Executive Officer