
POSEIDON NICKEL LIMITED

ABN 60 060 525 206

NOTICE OF 2012 ANNUAL GENERAL MEETING

TIME: 11:00am (AWST)

DATE: Wednesday, 21 November 2012

PLACE: ASX Limited Conference Room
Exchange Plaza
Level 8
2 The Esplanade
PERTH WA 6000

The Annual Report is now available on the Company's website via the following link:

<http://www.poseidon-nickel.com.au/>

This is an important document. If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at

- 11.00am (AWST) on Wednesday, 21 November 2012
- ASX Limited Conference Room
Exchange Plaza
Level 8
2 The Esplanade
PERTH WA

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form:

- post to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001;
- send by facsimile to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)

so that it is received not later than 11.00am (AWST) on Monday, 19 November 2012.

Proxy Forms received later than this time will be invalid.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 11.00am (AWST) on Monday, 19 November 2012.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2012 Annual General Meeting of Poseidon Nickel Limited will be held at 11.00am (AWST) on Wednesday, 21 November 2012 at ASX Limited Conference Room, Exchange Plaza, Level 8, 2 The Esplanade, Perth, Western Australia.

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Adoption of Annual Financial Report

To table and consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2012, which includes the Financial Report, the Directors' and Auditor's Reports.

1. Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2012."

VOTING EXCLUSION STATEMENT: In accordance with Section 250R of the Corporations Act, a vote on Resolution 1 must not be cast by, or on behalf of, a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

However, a vote may be cast by such person if:

- (a) That person is acting as proxy, the proxy form specifies how the proxy is to vote and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) The person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.

2. Re-election of Mr Geoff Brayshaw as Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, in accordance with clause 13.2 of the Company's Constitution and for all other purposes, Mr Geoffrey Brayshaw, who retires by rotation in accordance with the Company's Constitution, offers himself for re-election and is hereby re-elected as a Director of the Company."

3. Re-election of Mr Andrew Forrest as Director

To consider, and if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, in accordance with clause 13.2 of the Company’s Constitution and for all other purposes, Mr Andrew Forrest, who retires by rotation in accordance with the Company’s Constitution, offers himself for re-election and is hereby re-elected as a Director of the Company.”

4. Approval for issue of Shares under Director Share Plan to Mr Richard Monti in Lieu of Director Fees

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Company is authorised pursuant to the “Poseidon Nickel Limited Director Share Plan” to issue fully paid ordinary shares in the Company to the value of \$69,185.40 to Mr Richard Monti (or his nominee) in lieu of Director’s fees on the terms set out in the Explanatory Memorandum accompanying this Notice.”

5. Approval for issue of Shares under Director Share Plan to Mr Andrew Forrest in Lieu of Director Fees

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Company is authorised pursuant to the “Poseidon Nickel Limited Director Share Plan” to issue fully paid ordinary shares in the Company to the value of \$47,920.62 to Mr Andrew Forrest (or his nominee) in lieu of Director’s fees on the terms set out in the Explanatory Memorandum accompanying this Notice.”

6. Approval for issue of Shares under Director Share Plan to Mr Geoff Brayshaw in Lieu of Director Fees

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Company is authorised pursuant to the “Poseidon Nickel Limited Director Share Plan” to issue fully paid ordinary shares in the Company to the value of \$75,474.98 to Mr Geoff Brayshaw (or his nominee) in lieu of Director’s fees on the terms set out in the Explanatory Memorandum accompanying this Notice.”

7. Approval for issue of Shares under Director Share Plan to Mr Christopher Indermaur in Lieu of Director Fees

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Company is authorised pursuant to the “Poseidon Nickel Limited Director Share Plan” to issue fully paid ordinary shares in the Company to the value of \$81,764.56 to Mr Christopher Indermaur (or his nominee) in lieu of Director’s fees on the terms set out in the Explanatory Memorandum accompanying this Notice.”

VOTING EXCLUSION STATEMENT FOR RESOLUTIONS 4 to 7

The Company will disregard any votes cast on Resolutions 4 to 7 by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of that person. However, the Company need not disregard a vote if it is cast:

- as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- by the chairman of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, pursuant to the Corporations Act, the Company's KMP or Closely Related Person are not permitted to cast a vote as a Proxy for a person permitted to vote, unless the Proxy Form either:

- expressly authorises and directs the way the proxy is to vote on Resolutions 4 to 7; or
 - expressly authorises the Chairman of the Meeting to exercise the undirected proxy vote
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SPECIAL BUSINESS

8. Approval of 10% Placement Facility

To consider, and if thought fit, to pass with or without amendment, the following resolution as a **special resolution**:

"That, pursuant to and in accordance with Rule 7.1A of the Listing Rule of ASX Limited and for all other purposes, approval is given for the Company to allot and issue Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Rule 7.1A.2 of the Listing Rules for the purposes and on the terms set out in the Explanatory Memorandum accompanying this Notice."

Approval of a Special Resolution requires not less than 75% of votes of the Shareholders present in person or by proxy

VOTING EXCLUSION STATEMENT: The Company will disregard any votes cast on this Resolution by any person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed.

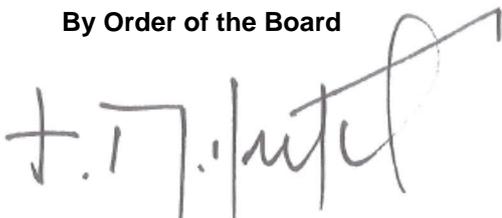
However, the Company need not disregard a vote if:

- (a) It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
 - (b) It is cast by the Chairman as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form to vote as the proxy decides.
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General Business

To consider any other business that may be brought forward in accordance with the Constitution of the Company or the Corporation Act.

By Order of the Board



Ross Kestel
Company Secretary
28 September 2012

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the Annual General Meeting of Poseidon Nickel Limited to be held on Wednesday, 21 November 2012 at 11:00am (AWST).

The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Annual General Meeting.

Annual Financial Report

The first agenda item is to receive the Annual Report of the Company for the year ended 30 June 2012, comprising the Financial Reports, Directors' Report and Independent Auditor's Report.

There is no requirement for Shareholders to approve the Annual Report of the Company for the year ended 30 June 2012.

However, Shareholders present at the Annual General Meeting will be able to:

- (a) Ask the Directors' present questions or make comment on the management of the Company; and
- (b) Ask the Auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Shareholders who are unable to attend the Annual General Meeting but would still like to ask questions in relation to the Annual Report of the Company for the year ended 30 June 2012 can submit written questions to the Chairman about the management of the Company, or to the Company's Auditor about:

- (a) The preparation and the content of the Auditor's Report;
- (b) The conduct of the 2012 audit;
- (c) Accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) The independence of the Auditor in relation to the conduct of the 2012 audit

The questions will need to be submitted no later than five (5) business days before the Annual General Meeting to the Company Secretary at the Company's Registered Office.

Resolution 1 – Adoption of Remuneration Report

In accordance with Section 250R(2) of the Corporations Act at a listed company's Annual General Meeting, the Board is required to table the Company's Remuneration Report to Shareholders for consideration and adoption.

The Directors' Report contains the Remuneration Report which sets out the remuneration policy of the Company and reports the current remuneration arrangements in place for the Non-Executive Directors, Managing Director and Senior Management.

Section 250R(3) of the Corporations Act provides that Resolution 1 is advisory only and does not bind the Directors of the Company to the outcome passed. A failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report.

The Director and Executive Remuneration Act which came into effect on 1 July 2011 gives Shareholders the opportunity to remove the Board under the two strike rules.

Under the Two Strike Rule, where at least 25% of votes are cast against adoption of the Remuneration Report at two (2) consecutive Annual General Meetings, a “board spill resolution” needs to put to the Shareholders at another meeting held within 90 days to consider replacing all the current Directors (other than Managing Director) who were in office at the date of approval of the applicable Directors’ Report.

The 2011 Remuneration Report tabled at the Poseidon Nickel Limited 2011 Annual General Meeting **DID NOT** receive a “no” vote of 25% or more.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, the Shareholder is considered to have provided the Chairman with an express authorisation to vote the proxy in accordance with the Chairman’s intention.

The Board of Directors unanimously recommends that Shareholders vote in favour of Resolution 1.

Resolution 2 – Re-Election of Mr Brayshaw

In accordance with ASX Listing Rule 14.4 and Clause 13.2 of the Constitution, Directors must retire after the third AGM since they were last elected. In accordance with the Company’s Constitution, at the close of each AGM one-third of the Directors must retire from office.

Mr Brayshaw retires by rotation in accordance with Clause 13.2 of the Constitution and being eligible for re-election, offers himself for re-election as a Director.

Mr Brayshaw was formerly an audit partner with a major accounting firm in Perth, having been in practice for some 35 years. He has also held a number of positions in commerce and professional bodies including national president of the Institute of Chartered Accountants of Australia in 2002.

He is a director of a number of public and private companies, including independent director and audit committee chairman of both Fortescue Metals Group Limited and AVEA Insurance Limited. He has recently retired from the board of the Small Business Development Corporation.

Resolution 3 – Re-Election of Mr Forrest

In accordance with ASX Listing Rule 14.4 and Clause 13.2 of the Constitution, Directors must retire after the third AGM since they were last elected. In accordance with the Company’s Constitution, at the close of each AGM one-third of the Directors must retire from office.

Mr Forrest retires by rotation in accordance with Clause 13.2 of the Constitution and being eligible for re-election, offers himself for re-election as a Director.

Mr Forrest was elected as Non-Executive Chairman of Poseidon Nickel Ltd on 2nd July 2007. He is the founder and Chairman of Fortescue Metals Group and the Australian Children’s Trust among other significant charities and companies.

As an industry and philanthropic leader, Mr Forrest grew up on a remote Australian sheep and cattle station before attending university.

After graduating in economics and politics, he built a career in investment banking, mining and farming. He has created some of the largest raw material exporters in the world, while pursuing major social issues on a domestic and international basis.

He is an Adjunct Professor of the China Southern University and fellow of the Australian Institute of Mining and Metallurgy. He was awarded the Australian Centenary Medal, the Australia Sports Medal, Australian Social Entrepreneur of the Year, West Australia Citizen of the Year for his contribution to regional development and The Mining Journal’s Mining Lifetime Achievement Award. Recognised widely as family

orientated and a strong community and arts supporter and is very active in ventures to protect and help under privileged children locally and internationally.

Resolutions 4, 5, 6 and 7 – Approval for Issue of Shares under Poseidon Nickel Limited Director Share Plan in Lieu of Director Fees

It is proposed that Messrs Richard Monti, Andrew Forrest, Geoff Brayshaw and Christopher Indermaur (**Participating Directors**) participate in the Poseidon Nickel Limited Director Share Plan (**Director Share Plan**) in respect of Directors' fees which the Company has agreed to pay to the Participating Directors for the financial year commencing on 1 July 2012 and ending on 30 June 2013. Under the terms of the Director Share Plan, Participating Directors have elected to receive Directors' fees as Shares in lieu of cash in order to retain the cash reserves of the Company.

Shareholder approval is required under ASX Listing Rule 10.14 for the issue of the Shares to the Participating Directors under the Director Share Plan. ASX Listing Rule 10.14 provides that an entity must not permit a director of that entity to acquire securities under an employee incentive scheme without the approval of shareholders.

Shareholder approval under Chapter 2E of the Corporations Act – Related Parties is not required because the Shares will be issued in satisfaction of Directors' fees owed by the Company to the Participating Directors on a quarterly basis and the issue of Shares constitutes reasonable remuneration in accordance with Section 211 of the Corporations Act, having regard to the circumstances of the Company.

For the purposes of ASX Listing Rule 10.15, the following information is provided to Shareholders:

- (a) Shares will be issued under the Director Share Plan to Richard Monti, Andrew Forrest, Geoff Brayshaw and Christopher Indermaur (all Directors) or their nominees.
- (b) The Directors' fees for the 12 month period ending on 30 June 2013 will be as follows:
 - (i) \$69,185.40 to Richard Monti;
 - (ii) \$47,920.62 to Andrew Forrest;
 - (iii) \$75,474.98 to Geoff Brayshaw; and
 - (iv) \$81,764.56 to Christopher Indermaur
- (c) The above fees agreed to be paid to the Participating Directors reflect the additional responsibilities and work to be undertaken from their respective appointments to the following committees:
 - (i) Mr Monti is a member of the following Committees:
 - Audit and Risk Management
 - Remuneration, Nomination and Diversity; and
 - Corporate Governance
 - (ii) Mr Brayshaw is Chairman of the following Committee:
 - Audit and Risk Management

And a member of the following Committees:

 - Remuneration, Nomination and Diversity
 - Corporate Governance
 - (iii) Mr Indermaur is Chairman of the following Committees:
 - Remuneration, Nomination and Diversity; and
 - Corporate Governance

And a member of the following Committees:

- Audit and Risk Management

- (d) The actual number of Shares to be issued to the Participating Directors is determined by the Directors' fees that the Company has agreed to pay to the Participating Directors for the financial year ending on 30 June 2013 (\$274,345.56) divided by the deemed issue price of the Shares calculated in accordance with paragraph (e) below;
- (e) The Shares will be issued for nil cash consideration as they will be issued in satisfaction of Directors' fees agreed to be paid by the Company to the Participating Directors at quarterly intervals. The Shares will be deemed to have an issue price of no less than the volume weighted average sale price of Shares sold on ASX during the 90, 91 or 92 days prior to the expiration of each quarter of each year, subject to paragraph (d) above;
- (f) For the 12 months ending 30 June 2013 the maximum number of Shares that may be allotted to the Directors will be approximately 4,375,000;
- (g) The Shares issued to each of the Directors under the Director Share Plan during the 12 month period ending on 30 June 2012 totalled 1,650,769 comprised as follows:
- (i) 416,297 to Richard Monti;
 - (ii) 288,341 to Andrew Forrest;
 - (iii) 454,143 to Geoff Brayshaw; and
 - (iv) 491,988 to Chris Indermaur
- (h) The Director Share Plan was approved by Shareholders at the 2011 Annual General Meeting and the Plan will be re-approved at the 2014 Annual General Meeting. The total Shares issued to each of the Directors since the Plan commenced in November 2007 is 4,319,709 comprised as follows:
- (i) 1,129,200 to Richard Monti;
 - (ii) 806,814 to Andrew Forrest;
 - (iii) 1,199,780 to Geoff Brayshaw; and
 - (iv) 1,183,914 to Christopher Indermaur
- (i) The Board may, from time to time at its absolute discretion, declare that any director of the Company or a subsidiary of the Company, is eligible to be offered to subscribe for Shares under the Director Share Plan;
- (j) No loan will be provided in respect of the issue of Shares as they are being issued in consideration for Directors' fees which the Company has agreed to pay the Participating Directors for the financial year ending 30 June 2013; and
- (k) The Shares will be issued to Participating Directors within 12 months from the date of the Annual General Meeting and will be issued on a quarterly basis according to the Directors' fees owing to each of the Participating Directors at that time.

Resolution 8 – Approval of 10% Placement Facility

ASX Listing Rule 7.1A enable eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the Annual General meeting (10% Placement Facility). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.9

The effect of Resolution 8 is that the Directors of Poseidon Nickel Limited can issue Equity Securities under Listing Rule 7.1A over a twelve (12) month period between 21 November 2012 and 21 November 2013 without using or in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. Poseidon Nickel Limited is an eligible entity.

The Company is now seeking Shareholder approval by way of a Special Resolution to have the ability to issue Equity Securities under the 10% Placement Facility. A Special Resolution requires approval of 75% of the votes cast by Shareholders present and eligible to vote in person or by proxy.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in AS Listing Rule 7.1A.2 as explained below.

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a Special Resolution at the Company's Annual General Meeting.

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue one (1) class of Equity Securities – Shares.

Formula for calculating the 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the twelve (12) month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(AxD)-E$$

A is the number of shares on issue 12 months before the date of issue:

- (a) Plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (b) Plus the number of partly paid shares that became fully paid shares in the 12 months;
- (c) Plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (d) Less the number of fully paid shares cancelled in the 12 months

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the twelve (12) months before the date of the issue of agreement to issue that are not issued with the approval of Shareholders under listing rule 7.1 or 7.4.

Number of Shares that can be issued under 10% Placement Facility

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 407,662,717 Shares and therefore has a capacity to issue:

- (a) 61,149,408 Equity Securities under the Company's 15% placement facility under Listing Rule 7.1;
- (b) 40,766,271 Equity Securities under the Company's 10% placement facility under Listing Rule 7.1A; subject to Shareholder approval being sought under Resolution 8; and
- (c) 101,915,679 Equity Securities in total combining the potential Placements under the 15% facility of Listing Rule 7.1 and the 10% facility of Listing Rule 7.1A

The Share number provided in point (b) above is at the date of this Notice but under Listing Rule 7.1A the Company has the ability to issue the Shares under the 10% Placement Facility anytime between 21 November 2012 and 21 November 2013; so the actual number of Equity Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the above formula.

Price of Shares issued under the 10% Placement Facility

The issue price of the Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the fifteen (15) Trading Days immediately before:

- (a) The date on which the price at which the Equity Securities are to be issued is agreed; or
- (b) If the Equity Securities are not issued within five (5) Trading Days of the date mentioned in paragraph (a) above, the date on which the Equity Securities are issued.

10% Placement Period

Shareholder approval in relation to the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the Annual General Meeting at which the approval is obtained – 21 November 2012 and expires on the earlier to occur of:

- (a) The date that is 12 months after the date of the Annual General Meeting at which the approval is obtained – 21 November 2013; or
- (b) The date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking); or
- (c) Such longer period if allowed by the ASX

The following information is provided to Shareholders in accordance with ASX Listing Rule 7.3A to assess the merits of the Resolution:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the fifteen (15) Trading Days immediately before:
 - i. The date on which the price at which the Equity Securities are to be issued is agreed; or
 - ii. If the Equity Securities are not issued within five (5) Trading Days of the date mentioned in paragraph (a) above, the date on which the Equity Securities are issued.
- (b) If Resolution 8 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
 - iii. The market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and

- iv. The Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset

This may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Shares on issue. The table also shows the affect if the current number of Shares on issue is increased by 50% and 100% and where the issue price has decreased by 50% and increased by 100% as against the current market price.

Shares on Issue		Dilution		
		\$0.04 50% decrease in Issue Price	\$0.08 Issue Price	\$0.16 100% increase in Issue Price
Current Shares 407,662,717	10% Voting Dilution	40,766,272 Shares	40,766,272 Shares	40,766,272 Shares
	Funds raised	\$1,630,651	\$3,261,302	\$6,522,603
50% increase 611,494,076	10% Voting Dilution	61,149,408 Shares	61,149,408 Shares	61,149,408 Shares
	Funds raised	\$2,445,976	\$4,891,953	\$9,783,905
100% increase 815,325,434	10% Voting Dilution	81,532,543 Shares	81,532,543 Shares	81,532,543 Shares
	Funds raised	\$3,261,302	\$6,522,603	\$13,045,207

The following assumptions were made when preparing the above table:

1. The Company issues the maximum number of Equity Securities available under the 10% Placement Facility;
 2. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue;
 3. The table does not show the dilution affect that may be caused to a particular Shareholder;
 4. The table only shows the effect of issues of Equity Securities under Listing Rule 7.1A not under the 15% Placement capacity under Listing Rule 7.1;
 5. The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculation the voting dilution effect on existing Shareholders; and
 6. The issue price of \$0.08 is the closing price of the Shares on the ASX as at 25 September 2012.
- (c) The Equity Securities will only be issued during the Placement Period. The approval under Resolution 8 to issue the Equity Securities will cease to be valid in the event that Shareholders approve a significant change to the nature or scale of activities (Listing Rule 11.1.2) or disposal of a main undertaking (Listing Rule 11.2);
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- i. Non-cash consideration for the acquisition of new resource assets and investments - if this was purpose; the Company would provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3;
 - ii. Cash consideration towards an acquisition of new assets or investments, continued exploration and feasibility study expenditure and general working capital

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy for issues under Listing Rule 7.1A will be dependent on prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement facility.

The identity of the allottees of the Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- iii. The methods of raising funds that are available to the Company including but not limited to, rights issue or other issue in which existing Shareholders can participate;
- iv. The effect of the issue of the Equity Securities on the control of the Company;
- v. The financial situation and solvency of the Company; and
- vi. Advice from corporate, financial and broking advisors

The allottees under the 10% Placement Facility are not known as at the date of this Notice but may include substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

If the Company is successful in acquiring new resource assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resource assets or investments;

- (e) Shareholder approval under Listing Rule 7.1A has not previously been obtained; and
- (f) A Voting Exclusion Statement applies in relation to Resolution 8. As at the date of this Notice, the Company has not approached any particular existing Shareholder or an identifiable class of existing Shareholder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the Voting Exclusion in the Notice.

GLOSSARY

\$ means Australian dollars

Annual General Meeting or **Meeting** means the meeting convened by the Notice of Meeting.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

AWST means Western Standard Time as observed in Perth, Western Australia.

Board means the current board of directors of the Company.

Business Days means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

Company means Poseidon Nickel Limited (ABN 60 060 525 206).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director means Executive Director and Non-Executive Directors

Director Share Plan means the director share plan as approved by Shareholders at the Annual General Meeting held on 22 November 2011.

Equity Securities has the same meaning as in the ASX Listing Rules but includes:

- (a) a share;
- (b) a unit;
- (c) a right to a share or unit or option;
- (d) an option over an issued or unissued security;
- (e) a convertible security;

- (f) any security that ASX decides to classify as an equity security
- (g) BUT not a debt security

Executives means all those senior employees who have been invited to participate in the Company's management of day to day administrative and operational matters

Explanatory Memorandum means the Explanatory Memorandum accompanying the Notice of Meeting.

Key Management Personnel is defined by AASB 124 Related Party disclosures as all directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Memorandum.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2012.

Resolutions means the resolutions set out in the Notice of Meeting or any one of them, as the context requires.

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

Shareholder means a holder of a Share.

VWAP means the volume weighted average price.

**APPOINTMENT OF PROXY
POSEIDON NICKEL LIMITED
ACN 060 525 206**

ANNUAL GENERAL MEETING PROXY FORM

Member Details

Name:

Address:

Contact Telephone No:

Appointment of Proxy

I/We being a Member/s of Poseidon Nickel Limited and entitled to attend and vote hereby appoint

Chairman of the Meeting **OR**

Or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the Annual General Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Poseidon Nickel Limited to be held at the ASX Limited Conference Room, Exchange Plaza, Level 8, 2 The Esplanade, Perth WA 6000 on Wednesday, 21 November 2012 at 11.00am (AWST) and at any adjournment of that meeting.

“Important in relation to Resolution 1 – If the Chairman of the Meeting is your proxy or is appointed your proxy be default then he intends to vote all available proxies in favour of Resolution 1, unless you indicate otherwise by ticking either the “for”, “against” or “abstain” box. By authorising the chairman to vote in accordance with the chairman’s voting intentions on Resolution 1 you will be approving the chairman to vote in favour of Resolution 1 even though Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 2 to 8** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 2 to 8 and that votes cast by the Chair of the Annual General Meeting for Resolutions 2 to 8 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 2 to 8 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 2 to 8.

If no directions are given, the Chair will vote in favour of all the Resolutions in which the Chair is entitled to vote undirected proxies.

	For	Against	Abstain
Ordinary Resolutions			
Resolution 1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2. Re-Election of Mr Geoff Brayshaw as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3. Re-Election of Mr Andrew Forrest as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4. Approval for issue of Shares under Director Share Plan to Mr Richard Monti	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5. Approval for issue of Shares under Director Share Plan to Mr Andrew Forrest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6. Approval for issue of Shares under Director Share Plan to Mr Geoff Brayshaw	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7. Approval for issue of Shares under Director Share Plan to Mr Christopher Indermaur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution			
Resolution 8 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please Note: By marking the Abstain box for any of the Resolution 1 to 8 you are directing the proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

PLEASE SIGN HERE

Individual or Member 1 <input style="width: 100%; height: 20px;" type="text"/> Sole Director and Sole Company Secretary	Member 2 <input style="width: 100%; height: 20px;" type="text"/> Director	Member 3 <input style="width: 100%; height: 20px;" type="text"/> Director/Company Secretary
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POSEIDON NICKEL LIMITED
ACN 060 525 206

INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 5.00pm (AWST) on Monday 19, November 2012.

1. **Appointing a Proxy:** A member entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **Direction to Vote:** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.

Unless authorised by ASIC, if a member of Key Management Personnel or their Closely Related Parties is appointed as a proxy, they are not permitted to vote undirected proxies on remuneration matters (arising directly or indirectly in connection with remuneration of Key Management Personnel), related party benefit matters under Chapter 2E of the Corporations Act and any spill resolutions. However, the chair may vote a proxy that does not specify how it is to be voted, provided the member who has lodged the proxy has provided their consent in the proxy form for the chair to exercise the proxy in its discretion (save in relation to the remuneration report where a direction is required).

3. **New sections 250BB and 250BC of the Corporations Act:** These sections came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:
 - if proxy holders vote, they must cast all directed proxies as directed; and
 - any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

POSEIDON NICKEL LIMITED
ACN 060 525 206

INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

Transfer of non-chair proxy to chair in certain circumstances Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

4. **Signing Instructions:**

- **(Individual):** Where the holding is in one name, the member must sign.
- **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
- **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

5. **Attending the Meeting:** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.

6. **Return of Proxy Form:** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001;
- (b) send by facsimile to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)

so that it is received not later than 11.00am (AWST) on Monday, 19 November 2012.

Proxy Forms received later than this time will be invalid.

**Poseidon Nickel Limited
ACN 060 525 206**

Corporate Representative Form

Please return this Appointment Form of Corporate Representative to the following address

*Computershare Investor Services Pty Limited
GPO Box 242 MELBOURNE VIC 3001*

Or

*Facsimile on 1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)*

Shareholder Details

This is to certify that by a resolution of the directors of:

_____ ACN _____
(Insert Company Name)

(Insert Address)

The Company has appointed:

(Insert Name of Corporate Representative)

In accordance with the provisions of Section 250D of the Corporations Act to act as the Corporate Representative of the company to exercise all or any of the powers the company may exercise at the Annual General Meeting of shareholders of Poseidon Nickel Limited ACN 060 525 206 to be held on Wednesday, 21 November 2012 at 11.00am and at any adjournment or postponement of the Annual General Meeting, or any meeting arising from the Annual General Meeting.

Dated this day of 2012

Executed by

ACN
in accordance with section 127 of the *Corporations Act*
2001:

Director

Director/Secretary

Name of Authorised Representative

Signed by Authorised Representative