

17 August 2018

POSEIDON RECEIVES BINDING, CONDITIONAL PROPOSAL FROM BLACK MOUNTAIN METALS

- Black Mountain Metals has made a binding, conditional proposal to acquire 100% of the issued shares in Poseidon Nickel (**Proposal**).
- Under the Proposal, a cash consideration of \$0.06 per share is proposed (**Proposed Price**).
- Discussions between Poseidon and Black Mountain Metals, in relation to the Proposed Price and other indicative terms, including Poseidon Board recommendation, are continuing but an agreement has not yet been reached.
- The Proposal includes the provision of immediate loan funding to Poseidon of up to \$2 million subject to Black Mountain Metals being granted rights to conduct due diligence.
- Poseidon's Board has not made a recommendation as to whether to accept the Proposal as a formal bid has not yet been received. There is no certainty that any takeover will result from the continuing discussions.

Poseidon Nickel Limited (**Poseidon** or **Company**) (**ASX: POS**) today announces that it has received a binding, conditional proposal from Black Mountain Metals LLC (**Black Mountain Metals**).

While no formal bid price per share has been offered or agreed, Black Mountain Metals has made an informal proposal to Poseidon that the price be \$0.06 per share (**Proposed Price**). As there is no formal proposal, nor is it certain that a formal proposal will ever be made, discussions between Poseidon and Black Mountain Metals regarding the Proposed Price and other indicative terms are continuing.

The Proposal does not represent a public proposal to make a takeover bid for the purposes of section 631 of *The Corporations Act 2001* (Cth).

At this stage and in addition to the execution of a definitive bid implementation agreement (on customary terms and incorporating the conditions set out in Schedule A), the Proposal is subject to the following:

- (a) Black Mountain Metals being granted due diligence access and completing this review within 3 weeks;
- (b) no material adverse change occurring in respect of Poseidon; and
- (c) none of the prescribed occurrences listed in Schedule B occurring.

Interim Funding

Subject to due diligence access being granted, Black Mountain Metals has agreed to make an immediate loan of up to \$2 million to Poseidon. The loan has a 12 month repayment term (from initial loan date) with 7.5% interest payable at the end of the term.

Further details regarding loan terms will be provided in due course.

Take No Action

The Poseidon Board intends to seek further information in order to evaluate the Proposal and will continue to engage with Black Mountain Metals in good faith to facilitate due diligence access and discussions around possible implementation of the Proposal.

Poseidon acknowledges that given the confidential and conditional nature of the Proposal, it would not ordinarily be required to make disclosure. However, given the Company was in advanced process stages of a planned and significant equity raising (which still remains a viable alternative transaction proposal), the Poseidon Board has decided to release details of the Proposal to ensure an informed market for Poseidon shares.

The Poseidon Board has commenced a process to assess the Proposal and will keep shareholders informed of material developments.

Poseidon shareholders do not need to take any action at this stage.

Poseidon has engaged Steinepreis Paganin as legal advisor.

Chris Indermaur Chairman

CORPORATE DIRECTORY

Director / Senior Management

Chris Indermaur	Non-Executive Chairman
David Singleton	Non-Executive Director
Geoff Brayshaw	Non-Executive Director
Robert Dennis	Non-Executive Director
Eryn Kestel	Company Secretary

Principal & Registered Office

Unit 8, Churchill Court
331-335 Hay Street
SUBIACO WA 6008
T: +61 8 6167 6600
F: +61 8 6167 6649

Corporate & Media Enquiries

T: +61 8 6167 6600
F: +61 8 6167 6649
E: admin@poseidon-nickel.com.au

Shareholder Enquiries

Personal shareholding queries should be addressed to:
Computershare Investor Services
GPO Box D182, Perth WA 6840
T: +61 8 9323 2000

Home Exchange

The Company's shares are listed on the Australian Securities Exchange and the home exchange is Perth.
ASX code : POS

SCHEDULE A – CONDITIONS TO OFFER

- (a) **(minimum ownership)** during, or at the end of, the Offer Period, the number of Target Shares in which Bidder and its associates together have relevant interests is at least 90% (by number) of all Target Shares on issue;
- (b) **(Target board recommendation)** The Target Board unanimously recommending (and continuing to recommend) the acceptance of the Offer subject to any superior proposal.
- (c) **(FIRB)** Before the end of the Offer Period, either:
 - (1) Bidder receives written notice from the Treasurer of the Commonwealth of Australia or his delegate to the effect that there are no objections under the FATA or Australia's foreign investment policy to the proposed acquisition to the fullest extent contemplated by this Bidder's Statement; or
 - (2) the period during which the Treasurer of the Commonwealth of Australia is empowered by the FATA to make an order prohibiting the proposed acquisition described above expires without any order (other than an interim order) having been made.
- (d) **(no Public Authority intervention)** that between the Announcement Date and the end of the Offer Period (each inclusive):
 - (1) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
 - (2) no application is made to any Public Authority (other than by any member of Bidder and any of its Subsidiaries); and
 - (3) no action or investigation is instituted or threatened by any Public Authority with respect to any member of the Target Group,

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of Chapter 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act in consequence of, or in connection with, the Offer), which:

 - (4) restrains or prohibits (or, if granted, could restrain or prohibit), or otherwise materially adversely affect the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of Bidder in respect of Target and the Target Shares to be acquired under the Offer; or
 - (5) requires the divestiture by any member of the Bidder Group of any Target Shares, or the divestiture of any material assets of the Target Group or any member of the Bidder Group;
- (e) **(no material acquisitions, disposals, cancellations or new commitments)** except for any proposed transaction or item fairly disclosed in writing to the Bidder, or publicly announced by Target, before 15 August 2018, none of the following events occurs during the period on and from 15 August 2018 to the end of the Offer Period:
 - (1) Target or another member of the Target Group acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any

- interest in one or more companies, businesses or assets, other than an interest in a member of the Target Group which is held by another person for the benefit of any other member of the Target Group) or makes an announcement in relation to such an acquisition or agreement for an amount or consideration in excess of AUD 500,000 for any individual item or in excess of AUD 1,000,000 in aggregate;
- (2) Target or another member of the Target Group disposes of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) or makes an announcement in relation to such a disposition or agreement for an amount or consideration in excess of AUD 500,000 for any individual item or in excess of AUD 1,000,000 in aggregate;
 - (3) a member of the Target Group enters into or agrees to enter into any farm-in, farm-out, joint venture or partnership or other management agreement that requires or is reasonably likely to involve payments, expenditure or the foregoing of revenue, by a member of the Target Group in excess of AUD 500,000 in aggregate; or
 - (4) a tenement, permit or licence granted to or held by any member of the Target Group is revoked, surrendered, relinquished or terminated or a member of the Target Group agrees to the same without there being a reasonable likelihood of such tenement, permit or licence being allowed to continue, renewed or extended on terms which are no less favourable to the member of the Target Group;
- (f) **(no material adverse change)** — that there is no material adverse change in the business, assets, financial position or prospects of the Target, or the shareholding or share capital of the Target between 15 August 2018 and the end of the Offer Period. This includes that there is no material adverse information being released to the market or Bidder by the Target as to the business, assets, financial position, Resources or prospects of the Target, or the shareholding or share capital of the Target;
- (g) **(no persons exercising rights under certain agreements or instruments)** after 15 August 2018 and before the end of the Offer Period, no person exercises or announces its intention to exercise any rights under any provision of any agreement or other instrument to which a member of the Target Group is a party, or by or to which a member of the Target Group or any of its assets may be bound or be subject (which, if exercised, will have or is reasonably likely to have a material adverse effect on the Target Group taken as a whole), to:
- (1) require monies borrowed by, or other financial accommodation provided to, a member of the Target Group to be paid or repaid immediately or earlier than the repayment or maturity date stated in such agreement or other instrument;
 - (2) terminate or modify any such agreement or instrument or require that any action be taken thereunder (including the acceleration of the performance of any obligation thereunder);
 - (3) terminate or modify the interest of a member of the Target Group in any farm-in, farm-out, partnership, joint venture, trust, corporation or other entity (or any arrangements relating to such interest); or
 - (4) require that any assets, shares or business of a member of the Target Group be sold, transferred or offered for sale or transfer, including under any pre-

emptive rights or similar provisions, as a result of the acquisition of Target Shares by Bidder;

- (h) **(no change of control rights)** between 15 August 2018 and the end of the Offer Period (each inclusive), no person has or will have any right as a result of the Bidder making the Offer or announcing its intention to make the Offer, or acquiring Target Shares under the Offer, to:
- (1) acquire, or require the disposal of, or require any entity within the Target Group to offer to dispose of, any material asset of any entity within the Target Group;
 - (2) terminate, or vary the terms or performance of, any material agreement with any entity within the Target Group;
 - (3) terminate, or vary the terms of any material approvals, licenses or permits issued by any Public Authority to any entity within the Target Group; or
 - (4) require repayment of any moneys borrowed by or any other indebtedness of any entity within the Target Group earlier than its stated maturity date, or withdraw or inhibit the ability of any entity within the Target Group to borrow moneys or incur indebtedness,

other than a right in respect of which a written, enforceable, irrevocable and unconditional waiver has been obtained and disclosed to the ASX or as fully and fairly disclosed by the Target in an ASX announcement or otherwise to the Bidder;

- (i) **(distributions)** during the period commencing on 15 August 2018 and ending at the end of the Offer Period, Target does not make or declare any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie);
- (j) **(prescribed occurrences)** during the period beginning on 15 August 2018 and ending at the end of the Offer Period, none of the following events happen:
- (1) Target converts all or any of its shares into a larger or smaller number of shares;
 - (2) a member of the Target Group resolves to reduce its share capital in any way;
 - (3) a member of the Target Group:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
 - (4) a member of the Target Group issues Shares, or grants an option over its Shares, or agrees to make such an issue or grant such an option, in each case other than an issue or grant of options over Shares (including employee share plan rights) to any of the officers, directors, executives or employees of the Target Group pursuant to offers that were made prior to 15 August 2018 or contractual arrangements in existence prior to 15 August 2018;
 - (5) a member of the Target Group issues, or agrees to issue, convertible notes;
 - (6) a member of the Target Group disposes, or agrees to dispose, of the whole, or a substantial part, of the Target Group's business or property;

- (7) a member of the Target Group resolves to be wound up;
 - (8) a liquidator or provisional liquidator of a member of the Target Group is appointed;
 - (9) a court makes an order for the winding up of a member of the Target Group;
 - (10) an administrator of a member of the Target Group is appointed under sections 436A, 436B or 436C of the Corporations Act;
 - (11) a member of the Target Group executes a deed of company arrangement;
 - (12) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of a member of the Target Group; or
 - (13) a member of the Target Group grants or agrees to grant an Encumbrance in or over the whole, or a substantial part, of the Target Group's business or property.
- (k) **(no prescribed occurrence prior to dispatch)** none of the events referred to in condition (j)(1) to (j)(13) happens during the period commencing on 15 August 2018 and ending at the end of the day immediately preceding the day the Bidder's Statement is given to Target;
- (l) **(conduct of Target's affairs)** during the period commencing on 15 August 2018 and ending at the end of the Offer Period no member of the Target Group without the prior written consent of the Bidder:
- (1) changes its constitution or passes any special resolution;
 - (2) enters into any guarantee, indemnity or guarantee and indemnity on behalf of any member of the Target Group in relation to an amount in excess of AUD 500,000;
 - (3) increases the remuneration or otherwise materially varies the engagement terms of or employment arrangements with any director of a member of the Target Group or any key management personnel of the Target Group where the total annual employment cost of that director or employee equals or exceeds AUD 200,000, except in accordance with contractual arrangements in existence on 15 August 2018 or any determination of a board of a member of the Target Group made prior to 15 August 2018; or
 - (4) without prejudice to conditions (e) and (f) above and paragraphs (1) to (3) above enters into or agrees to enter into any agreement or commitment with a third party that would require expenditure, the foregoing of revenue or the incurring of a liability by one or more members of the Target Group in excess of AUD 1,000,000.

Bidder reserves the right to waive or modify any of these conditions or include additional conditions as it sees fit prior making the Offer announcement.

Definitions

The following definitions apply in interpreting the Bid Conditions:

Announcement Date means the date on which the Bidder publicly proposes to make the Bid;

Associate has the meaning given to that term in the Corporations Act;

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited ABN 98 008 624 691;

Bid or **Takeover Bid** means an off-market takeover bid by Bidder for all Target Shares under Chapter 6 of the Corporations Act;

Bidder means Black Mountain Metals Pty Ltd and/or one of its wholly owned subsidiaries; **Bid Condition** means each condition set out above;

Bidder Group means the Bidder and each of its 'related bodies corporate' (as defined in the Corporations Act);

Bidders Statement means the bidder's statement to be issued by Bidder in respect of the Bid;

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

Encumbrance means an interest or power:

- (a) reserved in or over any interest in any asset including any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power, by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above;

Offer means each offer to acquire Target Shares to be made by Bidder to Target Shareholders in connection with the Bid;

Offer Period means the period during which Offers are open for acceptance;

Public Authority means any federal, provincial, state or other government, governmental or public department, court, tribunal, administrative, statutory or judicial entity, arbitral body, securities commission or stock exchange (such as ASX);

Register means the register of Target Shareholders maintained by Target in accordance with the Corporations Act;

Subsidiary has the meaning given in the Corporations Act;

Takeovers Panel means the Takeovers Panel referred to in Division 2, Part 6.10 of the Corporations Act;

Target Board means the board of directors of Target;

Target Group means Target and each of its Subsidiaries;

Target means Poseidon Nickel Limited (ASX code: POS);

Target Shares means fully paid ordinary shares in Target;

Target Shareholder means a person who is registered as the holder of Target Shares in the Register.

Interpretation

- (a) Headings are for convenience only, and do not affect the interpretation of this document.
- (b) The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply:
 - (i) the singular includes the plural, and the converse also applies;
 - (ii) a gender includes all genders;
 - (iii) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
 - (iv) unless otherwise stated references in this document to sections, paragraphs and subparagraphs are to sections, paragraphs and sub-paragraphs of this document;
 - (v) a reference to a person includes a corporation; and
 - (vi) a reference to dollars, \$ or AUD is to Australian currency.
- (c) References to time are references to the time in Perth, Australia on the relevant date, unless stated otherwise.

SCHEDULE B – PRESCRIBED OCCURENCES

During the period from the date of this letter and the date of the Offer none of the following events occur:

- (a) POS converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) POS or a subsidiary of POS resolves to reduce its share capital in any way;
- (c) POS or a subsidiary of POS enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) POS or a subsidiary of POS issues shares (other than as a result of the exercise of POS options) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) POS or a subsidiary of POS issues, or agrees to issue, convertible notes;
- (f) POS or a subsidiary of POS disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) POS or a subsidiary of POS charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) POS or a subsidiary of POS resolves to be wound up;
- (i) a liquidator or provisional liquidator of POS or of a subsidiary of POS is appointed;
- (j) a court makes an order for the winding up of POS or of a subsidiary of POS;
- (k) an administrator of POS or of a subsidiary of POS is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) POS or a subsidiary of POS executes a deed of company arrangement; or
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of POS or a Subsidiary of POS.