
POSEIDON NICKEL LIMITED

ABN 60 060 525 206

NOTICE OF 2013 ANNUAL GENERAL MEETING

TIME: 11:00am (AWST)

DATE: Thursday, 28 November 2013

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 Thursday, 28 November 2013
- 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 Tuesday, 26 November 2013.

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 7.00pm (AEDST) on Tuesday, 26 November 2013.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2013 Annual General Meeting of Poseidon Nickel Limited will be held at 11.00am (AWST) on Thursday, 28 November 2013 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 2013, 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 non-binding 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 2013."

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 Herbert (Bud) Scruggs 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 13.4 of the Company's Constitution and for all other purposes, Mr Herbert (Bud) Scruggs, a Director who was appointed to the Board on 30 September 2013, retires and being eligible, is re-elected as a Director of the Company."

3. Re-election of Mr Christopher Indermaur 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 Christopher Indermaur, 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 Herbert (Bud) Scruggs 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 up to the value of \$56,606.25 (pro rated) to Mr Herbert (Bud) Scruggs (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 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 up 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.”

6. 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 up 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 6

The Company will disregard any votes cast on Resolutions 4 to 6 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 6; or
 - expressly authorises the Chairman of the Meeting to exercise the undirected proxy vote
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7. Approval of the Employee Share Option Plan

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

“That, for the purposes of Exception 9 in Listing Rule 7.2 of ASX Limited, the Shareholders of the Company approve the “Poseidon Nickel Limited Employee Share Option Plan”, for the purposes and on the terms and conditions as set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director (except one who is ineligible to participate in the Poseidon Nickel Limited Employee Share Option Plan) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing 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

8. Adoption of Poseidon Nickel Limited Employee Bonus Scheme

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 7.2 (Exception 9) and for all other purposes, the Directors be authorised to adopt the “Poseidon Nickel Limited Employee Bonus Scheme” (**Scheme**) (the terms of which are summarised in the Explanatory Memorandum accompanying this Notice) and to issue securities pursuant to the Scheme.”*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by the Directors of the Company (except those who are ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing 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.

SPECIAL BUSINESS

9. Approval of 10% Placement Capacity

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 Capacity 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.

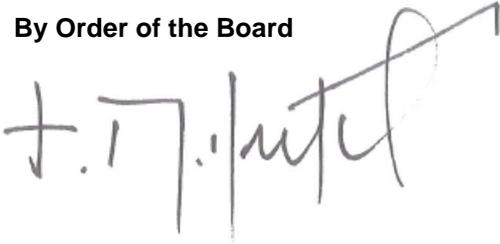
However, the Company need not disregard a vote if:

- (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.

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

A handwritten signature in black ink, appearing to read "R. Kestel", with a long horizontal stroke extending to the right.

Ross Kestel
Company Secretary
10 October 2013

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 Thursday, 28 November 2013 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 2013, 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 2013.

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 2013 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 2013 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 2013 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 provides Shareholders with the opportunity to remove the Board under the two strike rules.

The 2011 and 2012 Remuneration Reports **DID NOT** receive a “no” vote of 25% or more when they were tabled at the respective Annual General Meetings.

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 Scruggs

In accordance with Clause 13.4 of the Constitution, the current directors may at any time appoint a person to be a director, either to fill a casual vacancy or as an addition to the existing directors. Any director so appointed holds office only until the next following general meeting and is then eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation (if any) at that meeting.

Mr Herbert (Bud) Scruggs was appointed to the Board by the directors on 30 September 2013 to fill a vacancy following the resignation of the Company’s Non-Executive Chairman. In accordance with clause 13.4 of the Constitution, Mr Scruggs, being eligible, offers himself for re-election as a director of the Company.

Mr Scruggs has served as Mr Forrest’s alternate on the Poseidon Board since September, 2012 and was previously the CEO of The Metal Group, then the private holding company of the business interests of Andrew & Nicola Forrest and COO of the Australian Children’s Trust, which was the principal philanthropic entity of the Forrest family.

Mr Scruggs is currently a non-executive director for Fortescue Metals Group (FMG) and works in the US as an expert in business leadership, corporate recoveries and step change business improvement. He has extensive experience in the US capital markets which Poseidon views as key component in the final funding into production of the Windarra Nickel Project.

In addition to other civic and business roles, Mr Scruggs worked for Leucadia National Corporation (NYSE: LUK) from 1995 to 2007, where he was president of Leucadia Asset Management Group. He was instrumental in Leucadia’s original decision to invest alongside Andrew Forrest in Fortescue. Leucadia has now merged with Jefferies Bank LLC which holds convertible notes issued by Poseidon.

Resolution 3 – Re-Election of Mr Indermaur

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

Mr Indermaur 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 Indermaur has over 30 years of experience in large Australian companies in Engineering or Commercial roles. Amongst these roles he was the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd.

Mr Indermaur holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University). He also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University.

Resolutions 4 to 6 – Approval for Issue of Shares under Poseidon Nickel Limited Director Share Plan in Lieu of Director Fees

It is proposed that Messrs Herbert (Bud) Scruggs, 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 2013 and ending on 30 June 2014.

Mr Herbert (Bud) Scruggs was appointed to the Board on 30 September 2013 following the resignation of the then Company's Non-Executive Chairman. Director fees for Mr Scruggs will commence from 1 October 2013 and end on 30 June 2014.

The current Director Share Plan allows Poseidon Nickel Limited the right to decide whether Participating Directors are offered Shares or cash to satisfy director fees.

Under clause 3.1(a) of the Director Share Plan, the Company can make offers, subject to Shareholder approval, to Participating Directors to accept Shares in lieu of their director fees owing by the Company. The decision as to whether Shares or cash is offered to the Participating Directors is at the total discretion of the current Board.

Whilst the Board can make offers to issue Shares to Participating Directors; allotment is not able to proceed until after Shareholder approval is obtained under ASX Listing Rule 10.14. 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 are being issued in satisfaction of directors' fees owed by the Company to the Participating Directors on a quarterly basis. This issue of Shares constitutes reasonable remuneration in accordance with Section 211 of the Corporations Act that has been calculated on commercial terms, 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 may be offered under the Director Share Plan to Herbert (Bud) Scruggs, Geoff Brayshaw and Christopher Indermaur (all Directors) or their nominees.
- (b) The directors' fees for the 12 month period ending on 30 June 2014 will be as follows:
 - (i) \$56,606.25 to Herbert Scruggs (pro rated following appointment on 30 September 2013);
 - (ii) \$75,474.98 to Geoff Brayshaw; and
 - (iii) \$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 Scruggs is a member of the following Committees:
 - Audit and Risk Management
 - Remuneration, Nomination and Diversity; and
 - Corporate Governance

Mr Scruggs is Non-Executive Chairman of the Board.

- (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 maximum number of Shares which may 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 2014 (\$232,714.51) divided by the deemed issue price of the Shares calculated in accordance with paragraph (e) below. The number of Shares issued each quarter will be a function of the deemed issue price and the proportion of fees that the Company decides to satisfy through the issue of Shares;
- (e) The Shares will be issued for nil cash consideration as they will be issued in satisfaction of all or part of the 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 for each quarter of each year, subject to paragraph (d) above;
- (f) For the 12 months ending 30 June 2014 the maximum number of Shares that may be issued to the Participating Directors assuming a deemed issue price of 11.5 cents per Share, being the closing Share price to 3 October 2013, will be approximately 3,043,478 Shares;
- (g) Shareholder approval was last sought under Listing Rule 10.14 to issue Shares to Participating Directors in satisfaction of their director fees on 21 November 2012 (last Annual General Meeting date). Between 21 November 2012 and 30 June 2013 a total of 1,120,032 Shares have been issued to the Participating Directors comprised as follows:
- (i) 537,616 Shares to Mr Brayshaw; and
 - (ii) 582,416 Shares to Mr Indermaur
- *For the 12 months ending 30 June 2013, Mr Brayshaw and Mr Indermaur accepted the Company's offer to receive Shares in full satisfaction of the director fees owed to them, being \$75,474.99 and \$81,764.53 respectively. No cash was paid to the Participating Directors for director fees.*
 - *Mr Scruggs was appointed on 30 September 2013 and consequently was not eligible to receive any Shares in respect of the 12 month period ending on 30 June 2013.*
- (h) The Director Share Plan was first approved by shareholders at the 2007 Annual General Meeting and the Plan and then re-approved at the 2011 Annual General Meeting. The maximum Shares issued to each of the Participating Directors since the Plan commenced in November 2007 is 3,503,726 Shares comprised as follows:
- (i) 1,737,396 Shares to Mr Brayshaw; and
 - (ii) 1,766,330 Shares to Mr Indermaur

- *Since the Director Share Plan was first approved in 2007 the Participating Directors have accepted the Company's offer to receive Shares in full satisfaction of the director fees owed to them. No cash has been paid to the Participating Directors for director fees.*
- (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. The directors in office at the date of preparing this Notice of Meeting are Mr Scruggs, Mr Indermaur and Mr Brayshaw and Mr Singleton who is the Company's Managing Director;
 - (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 2014; 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, except to the extent the Company elects to pay the director's fees in cash.

Resolution 7 – Approval of the Employee Share Option Plan

Listing Rule 7.1 provides that a company must not, without prior approval of shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period, unless such an issue of securities falls within one of the exceptions set out in Listing Rule 7.2.

Exception 9(b) of Listing Rule 7.2 provides that equity securities may be issued under an employee incentive scheme that has been approved by shareholders for that purpose within the last three years.

The Company's Employee Share Option Plan (**Plan**) was approved by shareholders for the purposes of Exception 9(b) of Listing Rule 7.2 on 28 November 2007 and was renewed on 23 November 2010.

Accordingly, the Company seeks shareholder approval to renew the Plan under Exception 9(b) of Listing Rule 7.2 again in order to allow the Company to continue to issue Options under the Plan without limiting the ability of the Company to issue securities under Listing Rule 7.1.

The purpose of the Plan is to give employees and executive officers of the Company an opportunity, in the form of Options, to subscribe for Shares in the Company. The directors consider the Plan enables the Company to retain and attract skilled and experienced employees and executive officers and provide them with the motivation to make the Company more successful.

The Company has issued 2,975,000 Options under the Plan to employees from November 2010; being the date the Plan was renewed. There were no Options issued between 28 November 2007, being the date the Plan was first approved by Shareholders and 23 November 2010.

No Shares have been issued under the Plan to employees from the date of the scheme's inception in 2007.

A summary of the terms and conditions of the Plan is set out below.

Participants in the Plan

The Board may offer free Options to full or part time employees and directors of the Company or an Associated Body Corporate of the Company to participate in the Plan (**Eligible Employee**).

Eligible Employees do not possess any right to participate in the Plan, as participation is solely determined by the Board.

Number of Options

The maximum number of Options to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rule of the Plan and applicable law.

Terms of Options

Each Option entitles the holder, on exercise, to one fully paid Ordinary Share in the Company.

The Options will be issued for nil cash consideration. The exercise price for the Options will be such price as determined by the Board (in its discretion) on or before the date of issue provided that in no event shall the exercise price be less than the weighted average sale price of Shares sold on ASX during the five business days prior to the date of issue or such other period as determined by the Board (in its discretion).

Shares issued on exercise of Options will rank equally with other Shares.

Options may not be transferred other than to an associate of the holder. Quotation of Options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Options.

An Option may only be exercised after that Option has vested and any other conditions of exercise imposed by the Board are satisfied. The Board may determine the vesting period (if any). An Option will lapse upon the first to occur of the expiry date, the holder acting fraudulently or dishonestly in relation to the Company, the employee ceasing to be employed by the Company or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.

If, in the opinion of the Board any of the following has occurred or is likely to occur, the Company entering into a scheme of arrangement, the commencement of a takeover bid for the Company's Shares, or a party acquiring a sufficient interest in the Company to enable them to replace the Board, the Board may declare an Option to be free of any conditions of exercise. Options which are so declared may subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date and in any number.

Future Issues of Shares

New Issues

There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 10 Business Days after the issue is announced. Optionholders shall be afforded the opportunity to exercise all Options which they are entitled to exercise pursuant to the Plan prior to the date for determining entitlements to participate in any such issue.

Bonus Issues

If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves (**Bonus Issue**), each Optionholder holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue (**Bonus Shares**) to a person registered as holding the same number of Shares as that number of Shares to which the Optionholder may subscribe pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank pari passu in all respects with the other Shares issued upon exercise of the Options.

Reconstruction of Capital

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each Optionholder is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.

Taxation

Under current taxation laws any taxation liability in relation to the Options, or the Shares issued on exercise of the Options, will fall on the participants. The Company will not be liable to fringe benefits tax in relation to Options or Shares issued under the Plan.

Participation by Directors

Although directors are eligible to be offered Options under the Plan, this first requires specific Shareholder approval due to the requirements of the ASX Listing Rules and the Corporations Act.

Resolution 7 seeks the approval of Shareholders for the adoption of the "Poseidon Nickel Limited Employee Share Option Plan" (**Plan**) to allow the issue of Securities under the Plan as an exception to ASX Listing Rule 7.1 in accordance with exception 9(b) of ASX Listing Rule 7.2.

An issue under an employee incentive plan will only fall within exception 9(b) of ASX Listing Rule 7.2 if the securities are issued under a plan approved by shareholders within 3 years before the date of issue.

If Resolution 7 is passed, the Company will have the ability to issue Options to eligible participants under the Plan over a period of 3 years without impacting on the Company's 15% Placement Capacity under ASX Listing Rule 7.1.

The main terms of the Plan are summarised in Schedule 1 to this Explanatory Memorandum and a full copy of the Plan is available for inspection at the Company's registered office until the date of the Annual General Meeting. The Plan will, as and from the date of the Meeting, replace the existing employee bonus plan of the Company which was adopted by Shareholders at the annual general meeting in 2007 and then renewed at the Annual General Meeting in 2010.

The Plan rewards eligible employees (being a full time employee of the Company or a subsidiary of the Company) for their contribution to the Company and enables them to share in the success of the Company.

Resolution 8 – Adoption of Poseidon Nickel Limited Employee Bonus Scheme

Resolution 8 seeks the approval of Shareholders for the adoption of the "Poseidon Nickel Limited Employee Bonus Scheme" (**Scheme**) to allow the issue of Shares under the Scheme as an exception to ASX Listing Rule 7.1 in accordance with exception 9(b) of ASX Listing Rule 7.2. An issue under an employee incentive scheme will only fall within exception 9(b) of ASX Listing Rule 7.2 if the Securities are issued under a scheme approved by shareholders within 3 years before the date of issue.

If Resolution 8 is passed, the Company will have the ability to issue Shares to eligible participants under the Scheme over a period of 3 years without impacting on the Company's 15% Placement Capacity under ASX Listing Rule 7.1.

The main terms of the Scheme are summarised in Schedule 2 to this Explanatory Memorandum and a full copy of the Scheme is available for inspection at the Company's registered office until the date of the Annual General Meeting. The Scheme will, as and from the date of the Meeting, replace the existing employee bonus scheme of the Company which was adopted by Shareholders at the annual general meetings in 2008 and 2009.

The Scheme rewards eligible employees (being a full time employee or director of the Company or a subsidiary of the Company) for their contribution to the Company and enables them to share in the success of the Company.

A total of 2,178,395 Shares have been issued under the existing employee bonus scheme to employees in relation to their contribution to the Company from the date of the scheme's inception in 2008.

Resolution 9 – Approval of 10% Placement Capacity

ASX Listing Rule 7.1A

ASX Listing Rule 7.1A enables 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 Capacity). The 10% Placement Capacity is in addition to the Company's 15% Placement Capacity under ASX 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 effect of Resolution 9 is that the Directors of Poseidon Nickel Limited can issue Equity Securities under Listing Rule 7.1A over a twelve (12) month period between 28 November 2013 and 28 November 2014 without using or in addition to the Company's 15% Placement Capacity under Listing Rule 7.1.

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 Capacity. A Special Resolution requires approval of 75% of the votes cast by Shareholders present and eligible to vote in person or by proxy.

Any Equity Securities issued under the 10% Placement Capacity 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 quoted Equity Securities – Shares.

This Resolution was put to Shareholders at the 2012 Annual General Meeting and it was passed unanimously by Shareholders but no Shares were issued under Listing Rule 7.1A following approval at the 2012 Annual General Meeting.

The ability to issue Shares under Listing Rule 7.1A.2 must be sought by the Company each year at the Annual General Meeting. Like the 15% Placement Capacity under Listing Rule 7.1; the approval is not cumulative and must be refreshed through Shareholder approval.

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

Formula for calculating the 10% Placement Capacity

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:

$$(A \times D) - E$$

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 Capacity

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 409,616,908 Shares and therefore has a capacity to issue:

- (a) 61,442,536 Equity Securities under the Company's 15% Placement Capacity under Listing Rule 7.1;
- (b) 40,961,691 Equity Securities under the Company's 10% Placement Capacity under Listing Rule 7.1A; subject to shareholder approval being sought under Resolution 9; and
- (c) 102,404,227 Equity Securities in total combining the potential Placements under the 15% capacity of Listing Rule 7.1 and the 10% capacity 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 Capacity anytime between 28 November 2013 and 28 November 2014; 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.

Technical Information Required under ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing 7.3A, the following information is provided to shareholders to assess the merits of Resolution 9:

Price of Shares issued under the 10% Placement Capacity

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.

Date of Issue of Shares under the 10% Placement Capacity

Shareholder approval in relation to the 10% Placement Capacity under Listing Rule 7.1A is valid from the date of the Annual General Meeting at which the approval is obtained – 28 November 2013 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 – 28 November 2014; 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.

Risk of Voting Dilution

If Resolution 9 is approved by shareholders and the Company issues Equity Securities under the 10% Placement Capacity, the existing shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:

- (a) 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
- (b) 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		
		\$0.0575 50% decrease in Issue Price	\$0.1150 Issue Price	\$0.23 100% increase in Issue Price
Current Shares 409,616,908	10% Voting Dilution	40,961,691 Shares	40,961,691 Shares	40,961,691 Shares
	Funds raised	\$2,355,297	\$4,710,594	\$9,421,189
50% increase 614,425,362	10% Voting Dilution	61,442,536 Shares	61,442,536 Shares	61,442,536 Shares
	Funds raised	\$3,532,946	\$7,065,892	\$14,131,783
100% increase 819,233,816	10% Voting Dilution	81,923,382 Shares	81,923,382 Shares	81,923,382 Shares
	Funds raised	\$4,710,594	\$9,421,189	\$18,842,378

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 Capacity;
 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 Capacity 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 \$0.1150 is the closing price of the Shares on the ASX as at 18 September 2013.
- (c) The Equity Securities will only be issued during the Placement Period. The approval under Resolution 9 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);

Purpose of Issue under 10% Placement Capacity

The Company may seek to issue the Equity Securities for the following purposes:

1. Continued exploration on its current Mt Windarra Nickel Project in Kalgoorlie WA; with activities which could include:
 - (a) Water extraction system techniques
 - (b) Geophysical surveys;
 - (c) Continued exploration including further underground drilling; and
 - (d) General working capital
2. Potential acquisition of new resource assets and investments by either or both of the following:
 - (a) Cash consideration; and
 - (b) Non-cash consideration, if this was the purpose; the Company would provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.

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

Allocation under the 10% Placement Capacity

The Company's allocation policy for issues under Listing Rule 7.1A may include a placement to select existing Shareholders, a corner stone investor or several "new" professional/sophisticated investors not currently on the Company's register and this will be dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity.

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:

- (a) The purpose of the issue;
- (b) 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;
- (c) The effect of the issue of the Equity Securities on the control of the Company;
- (d) The financial situation and solvency of the Company; and
- (e) Advice from corporate, financial and broking advisors

The allottees under the 10% Placement Capacity 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 Capacity will be the vendors of the new resource assets or investments.

Previous Approval under ASX Listing Rule 7.1A

Shareholder approval under Listing Rule 7.1A was previously obtained at the 21 November 2012 Annual General Meeting. In accordance with Listing Rule 7.3A.6 the Company provides the following information:

- Poseidon Nickel did not issue any Equity Securities under Listing Rule 7.1A during the 12 months between the 21 November 2012 Annual General Meeting and the date of this Notice
- Poseidon Nickel issued 1,954,191 Equity Securities in the 12 months between the 21 November 2012 Annual General Meeting and the date of this Notice as follows:

Date of Issue	Number of Securities Issued	Security Class	Issue Price	Discount to Market Price	Total Consideration	Persons Receiving Securities
11 Dec 2012	784,741	Ordinary Shares	Nil	Nil	Nil	Mr Andrew Forrest Mr Richard Monti Mr Geoff Brayshaw Mr Chris Indermaur
Purpose of Issue: Shares to directors in lieu of fees for the September 2012 quarter as approved by Shareholders at the Company's 2012 Annual General Meeting held on 21 November 2012.						
Non-Cash Consideration Paid: \$68,586.36 (784,741 Shares at 92 day VWAP of \$0.0874) Current value of Non-Cash Consideration: \$82,397.81 (784,741 Shares at current price of \$0.105)						
09 Jan 2013	493,783	Ordinary Shares	Nil	Nil	Nil	Mr Andrew Forrest Mr Richard Monti Mr Geoff Brayshaw Mr Chris Indermaur
Purpose of Issue: Shares to directors in lieu of fees for the December 2012 quarter as approved by Shareholders at the Company's 2012 Annual General Meeting held on 21 November 2012.						
Non-Cash Consideration Paid: \$68,586.46 (493,783 Shares at 92 day VWAP of \$0.1389) Current value of Non-Cash Consideration: \$51,847.21 (493,783 Shares at current price of \$0.105)						

Date of Issue	Number of Securities Issued	Security Class	Issue Price	Discount to Market Price	Total Consideration	Persons Receiving Securities
09 Apr 2013	299,878	Ordinary Shares	Nil	Nil	Nil	Mr Andrew Forrest Mr Richard Monti Mr Geoff Brayshaw Mr Chris Indermaur
Purpose of Issue: Shares to directors in lieu of fees for the March 2013 quarter as approved by Shareholders at the Company's 2012 Annual General Meeting held on 21 November 2012. Non-Cash Consideration Paid: \$68,582.10 (299,878 Shares at 90 day VWAP of \$0.2287) Current value of Non-Cash Consideration: \$31,487.19 (299,878 Shares at current price of \$0.105)						
10 Jul 2013	375,789	Ordinary Shares	Nil	Nil	Nil	Mr Andrew Forrest Mr Richard Monti Mr Geoff Brayshaw Mr Chris Indermaur
Purpose of Issue: Shares to directors in lieu of fees for the December 2012 quarter as approved by Shareholders at the Company's 2012 Annual General Meeting held on 21 November 2012. Non-Cash Consideration Paid: \$68,581.49 (375,789 Shares at 91 day VWAP of \$0.1825) Current value of Non-Cash Consideration: \$39,457.84 (375,789 Shares at current price of \$0.105)						

The 1,954,191 Equity Securities issued represents 0.005% of the total number of Equity Securities on issue 12 months ago; and

The 1,954,191 Equity Securities were issued to the Directors for a non-cash consideration

Voting Exclusion

A Voting Exclusion Statement applies in relation to Resolution 9. 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.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 9 because of the flexibility it will provide to offer Equity Securities for capital raising purposes in the next 12 months.

Resolution 9 is a special resolution and therefore requires 75% of the votes cast by Shareholders present and eligible to vote (in person or by proxy).

The Chairman intends to exercise all available proxies in favour of Resolution 9.

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.

Options means an Option granted pursuant to the Employee Share Option Plan.

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 2013.

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.

SCHEDULE 1 – TERMS AND CONDITIONS OF EMPLOYEE SHARE OPTION PLAN

The Poseidon Nickel Limited Employee Share Option Scheme (**Scheme**) will operate on the following terms:

(a) **Eligibility**

The Board may invite full or part time employees and directors of the Company or an Associated Body Corporate of the Company to participate in the Plan (**Eligible Employee**).

Eligible Employees do not possess any right to participate in the Plan, as participation is solely determined by the Board.

(b) **Offer of Plan Options**

The Plan will be administered by the Board which may, in its absolute discretion, offer Plan Options to any Eligible Employee from time to time as determined by the Board and, in exercising that discretion, may have regard to some or all of the following considerations:

- (i) the Eligible Employee's length of service with the Company;
- (ii) the contribution made by the Eligible Employee to the Company;
- (iii) the potential contribution of the Eligible Employee to the Company; or
- (iv) any other matter the Board considers relevant.

(c) **Number of Plan Options**

The number of Plan Options to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rules of the Plan and applicable law.

(d) **Conversion**

Each Plan Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.

(e) **Consideration**

Plan Options issued under the Plan will be issued for no consideration.

(f) **Exercise price**

The exercise price for Plan Options offered under the Plan will be determined by the Board.

(g) **Exercise conditions**

The Board may impose conditions, including performance-related conditions, on the right of a participant to exercise Plan Option granted under the Plan.

(h) **Exercise of Plan Options**

A participant in the Plan will be entitled to exercise their Plan Options in respect of which the exercise conditions have been met provided the Plan Options have not lapsed and the exercise of the Plan Options will not result in the Company contravening ASIC Class Order 03/184. A holder may exercise Plan Options by delivering an exercise notice to the Company secretary along with the Plan Options certificate, and paying the applicable exercise price of the Plan Options multiplied by the number of Plan Options proposed to be exercised.

Within ten Business Days of receipt of the required items, the Company will, subject to the ASX Listing Rules, issue to the participant the relevant number of Shares.

(i) **Cessation of employment**

If the participant in the Plan ceases to be an employee or director of, or render services to, the Company or an Associated Body Corporate for any reason (other than by death, permanent disability or permanent retirement from the workforce) prior to the lapse of the Plan Options, and the exercise conditions attaching to the Plan Options have been met, the participant will be entitled to exercise their Plan Options in accordance with the Plan for a period of up to 60 days after the date of the cessation event.

(j) **Death, permanent disability or retirement**

If the participant in the Plan dies, becomes permanently disabled or permanently retires from the workforce as an employee or director of the Company prior to the lapse of the Plan Options, the participant, or the participant's legal personal representative, will be entitled to exercise their Plan Options in accordance with the Plan rules for the period commencing on the date of the cessation event and ending on the first to occur of the date of lapsing of the Plan Options and the date which is six months after the date of the cessation event.

(k) **Lapse of Plan Options**

Plan Options held by a participant in the Plan will lapse immediately if:

- (i) the Plan Options have not been exercised by the date which is six years after the date of issue, or such other date as the Board determines in its discretion at the time of issue of the Plan Options;
- (ii) the exercise conditions attaching to the Plan Conditions are unable to be met; or
- (iii) the holder ceases to be an employee or director of the Company or an Associated Body Corporate and the deadline set out in paragraph (i) or (j) has passed.

(l) **Participation in Rights Issues and Bonus Issues**

The Plan Options granted under the Plan do not give the holder any right to participate in rights issues or bonus issues unless Shares are allotted pursuant to the exercise of the relevant Plan Options prior to the record date for determining entitlements to such issue. The number of Shares issued on the exercise of Plan Options will be adjusted for bonus issues made prior to the exercise of the Plan Options.

(m) **Reorganisation**

The terms upon which the Plan Options will be granted will not prevent the Plan Options being reorganised as required by the ASX Listing Rules on the reorganisation of the capital of the Company.

(n) **Limitation on offers**

If the Company makes an offer under the Plan where:

- (i) the total number of Shares to be received on exercise of Plan Options the subject of that offer exceeds the limit set out in ASIC Class Order 03/184; or
- (ii) the Offer does not otherwise comply with the terms and conditions set out in ASIC Class Order 03/184,

the Company must comply with Chapter 6D of the Corporations Act at the time of that offer.

(o) **Trigger event**

If any of the following events occur:

- (i) the Company is subject to a takeover bid;
- (ii) the Company proposes a scheme of arrangement with its members under Part 5.1 of the Corporations Act; or
- (iii) a person, or group of associated persons, becomes entitled to sufficient Shares to give him or them the ability, in general meeting, to replace all or a majority of the Board, where such ability was not already held by a person associated with such a person or group of persons,

then the Board may:

- (iv) determine that Plan Options may be exercised at any time from the date of such event so as to permit the holder to participate in the change of control arising from the event; or
- (v) use its reasonable endeavours to procure that an offer is made to holder of Plan Options on like terms to the terms proposed in such event.

SCHEDULE 2 – POSEIDON NICKEL LIMITED EMPLOYEE BONUS SCHEME

The Poseidon Nickel Limited Employee Bonus Scheme (**Scheme**) will operate on the following terms:

Objectives of the Scheme

The Scheme is designed to reward full-time or permanent part-time employees and Directors of the Company for their contribution to the Company. The aim of the Scheme is to have 75% of all full time or permanent part time employees with greater than 3 years service (whether continuous or non-continuous) with the Company in the Scheme.

Committee

The Scheme will be administered by a committee chaired by the Chief Executive Officer of the Company.

Bonus Offer

The committee may in its absolute discretion:

- (a) determine which employees are entitled to participate in the Scheme from time to time;
- (b) make an offer to selected employees;
- (c) determine the bonus band that will apply to an offer to selected employees; and
- (d) determine the amount of the bonus to be offered to selected employees.

The bonus band means the maximum bonus that may be paid to an employee, expressed as a percentage of the employee's annual salary.

Payment of Bonus

The employee may elect to receive the bonus in cash or Shares. Payment of the bonus is conditional on the employee continuing to be a full time employee of the Company on the date the bonus is paid in cash or the date of issue of the bonus Shares.

Salary Sacrifice Agreement

Prior to earning the bonus for a particular year, in order for the employee to receive Shares as his or her bonus, the employee must enter into a salary sacrifice agreement with the Company pursuant to which the employee agrees to receive part of his or gross salary as a benefit satisfied by way of Shares.

Cash

If the employee elects to take the bonus in cash, the Company will pay the bonus to the nominated bank account of the employee after finalisation of the financial year.

Bonus Shares

If the employee elects to take the bonus in Shares, then the employee will be entitled to the number of Shares equivalent to 150% of the amount of the bonus, determined by dividing 150% of the bonus by the volume weighted average closing price of a Share as traded on ASX for the 5 trading days up to and including the date of issue, or the price as otherwise determined by the Committee (**Bonus Shares**). The Company will issue the Bonus Shares to a trustee appointed by the Company to be held in a trust. The trustee will, in accordance with the terms of the Scheme, transfer the Bonus Shares to the employee upon the satisfaction of a number of conditions (as specified below).

Bonus Shares

- (a) Bonus Shares will upon allotment rank pari passu in all respects with other Shares, except as otherwise set out below.
- (b) Bonus Shares will be subject to a vesting period until such time as the employee is able to demonstrate to the Company that the following conditions have been satisfied:
 - (i) the Bonus Shares have been held by the trustee for a minimum period of 3 years from the date of issue; and
 - (ii) the employee continues to be a full time employee of the Company,(together, the **Conditions**)
- (c) The trustee appointed by the Company to hold the Bonus Shares will hold the Bonus Shares in a trust and will not transfer the Bonus Shares to the employee until the employee demonstrates that the Conditions have been satisfied.
- (d) If the conditions are not satisfied then the employee will be deemed to forfeit the Bonus Shares and the Bonus Shares will be retained in the trust to be re-issued by the Company pursuant to the Scheme.
- (e) Whilst the Bonus Shares are held in the trust, if the employee commits any fraudulent, dishonest or gross negligent acts as determined by the committee acting reasonably, then the Bonus Shares will be forfeited and the Bonus Shares will be retained in the trust to be re-issued by the Company pursuant to the Scheme.
- (f) Upon transfer of the Bonus Shares to the employee, the Company will apply for quotation of the Bonus Shares on ASX.

Prescribed Event

The Company will authorise the transfer of the Bonus Shares from the trustee to the employee immediately in the event that:

- (a) the Shares in the Company are subject to a takeover bid under the provisions of Chapter 6 of the Corporations Act and the bid proceeds to compulsory acquisition under Part 6A.1 of the Corporations Act; or
- (b) an order is made under Part 5.1 of the Corporations Act which is binding on all Shareholders for the transfer of Shares in the Company under a merger by way of scheme of arrangement.

In the event the transfer is ordered by the Company, any unvested Bonus Shares shall automatically vest.

Variation

The Scheme rules have been drafted on the basis of current draft tax legislation relating to employee share schemes. The committee may amend the Scheme rules as it sees fit if, and to the extent that, the legislation relating to employee share schemes is amended from time to time.

**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** Insert Name of Appointed Proxy Below

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 Thursday, 28 November 2013 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 9** 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 9 and that votes cast by the Chair of the Annual General Meeting for Resolutions 2 to 9 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 9 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 2 to 9.

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. Election of Mr Herbert Scruggs as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3. Re-Election of Mr Christopher Indermaur as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4. Approval for issue of Shares under Director Share Plan to Mr Herbert Scruggs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5. Approval for issue of Shares under Director Share Plan to Mr Geoff Brayshaw	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6. Approval for issue of Shares under Director Share Plan to Mr Christopher Indermaur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7. Approval of the Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8. Adoption of Poseidon Nickel Limited Employee Bonus Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution			
Resolution 9 Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please Note: By marking the Abstain box for any of the Resolution 1 to 9 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

Sole Director and
Sole Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

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 7.00pm (AEDST) on Tuesday, 26, November 2013.

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 (AEDST) on Tuesday, 26 November 2013.

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 Thursday, 28 November 2013 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 2013

Executed by

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

Director

Director/Secretary

Name of Authorised Representative

Signed by Authorised Representative