



POSEIDON NICKEL LIMITED

("the Company")

Corporate Governance

Introduction

Corporate Governance is the system by which companies are directed and managed. It influences how the objectives of the Company are set and achieved, how risk is monitored and assessed and how performance is optimised.

Good corporate governance procedures encourage companies to create value whilst providing accountability and controls commensurate with the risks involved.

Poseidon Nickel Limited is committed to high standards of corporate governance. Policies and procedures which follow the "Principles of Good Corporate Governance and Best Practice Recommendations" issued by the ASX Limited ("ASX") Corporate Governance Council in March 2003, to the extent they are applicable to the Company, have been adopted.

These documented policies and procedures form the basis of the Company's corporate governance system and are set out in the following documents under the headings listed below.

The Board

- 1 Board Charter

Board Committees

- 2 Audit and Risk Management Committee
- 3 Remuneration, Nomination and Diversity Committee

Directors

- 4 Directors' and Executive Officers' code of Conduct
- 5 Performance Evaluation Process

General

- 6 Code of Business Conduct
- 7 Share Dealing Policy
- 8 Communications Strategy
- 9 Disclosure Policy
- 10 Risk Management and Internal Control Policy
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Last Updated:
21 December 2011



POSEIDON NICKEL LIMITED

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1 BOARD CHARTER

PURPOSE

This statement summarises the role and responsibility of the Board of Poseidon Nickel Limited. The disclosure of the role and responsibility of the Board is designed to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the Board and management of the Company.

The roles and responsibilities of the Board will evolve as the Company moves forward. As such, a regular review of the balance of responsibilities will ensure that the division of the functions remains appropriate to the needs of the Company.

This policy statement is only a summary of the matters reserved to the Board, and should therefore only be used as a general guide, which is not to be used in a legal capacity.

MEMBERSHIP AND TERM

Membership

The Board shall, as a preference, consist of:

- A majority of non-executive Directors;
- At least one member with appropriate technical and commercial skills relevant to the mining industry.

Independence

An independent Director is a non-executive Director (i.e. is not a member of management) and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or its subsidiaries, or been a Director after ceasing to hold any such employment;
- is not a principal or employee of a professional adviser to the Company or its subsidiaries whose billings exceed five per cent of the adviser's total revenue. A Director who is a principal or employee of a professional adviser will not participate in the provision of any service to the Company by the professional adviser;
- is not a significant supplier or customer of the Company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the Company exceed five per cent of the supplier's total revenue. A significant customer is one whose amounts payable to the Company exceed five per cent of the customer's total operating costs;

- has no material contractual relationship with the Company or its subsidiaries other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Term

The Board has not adopted a tenure policy.

In accordance with the Constitution of the Company, no Director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the Director's appointment, whichever is the longer, without submitting for re-election.

Selection of new Directors

Candidates for Board positions shall be nominated by the Remuneration, Nomination and Diversity Committee for consideration by the Board. The whole Board shall decide on the recommendations of new Directors made by the Committee.

In selecting new members for the Board, Directors shall have regard to the appropriate skills and characteristics needed by the Board as a whole. The Directors shall endeavour to appoint individuals who would provide the mix of Director characteristics and diverse experiences, perspectives and skills appropriate for the Company.

New Directors are provided with a letter of appointment which sets out the key terms and conditions of their appointment. New Directors participate in an induction program to enable them to gain an understanding of:

- the Company's financial, strategic, operational and risk management position;
- their rights, duties and responsibilities; and
- the role of Board Committees.

ROLE OF THE BOARD**Key Responsibilities**

The management and control of the business of the Company is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of its shareholders. The Board also recognises its responsibilities to the Company's employees, the environments and communities in which the Company operates and where appropriate, other stakeholders. The Board strives to create shareholder value and ensure that shareholders' funds are prudently safeguarded.

The key responsibilities of the Board include:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;

- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately. Further, approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the company has adopted, and that the Company's practice is consistent with, a number of guidelines, being:
 - Directors and Executive Officers Code of Conduct (Refer to Policy 4);
 - Dealings in Securities (Refer to Policy 7); and
 - Reporting and Dealing with Unethical Practices (Refer to Policy 6)
- Reporting to and advising shareholders.

Delegated Responsibility

The Board ensures that all staff are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess performance.

The roles of the Chairperson and the CEO are not combined. The CEO is accountable to the Board for all authority delegated to that position.

Although there is a clear division between the responsibilities of the Board and management, the Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure that this is achieved. These mechanisms include the following:

- Establishment of an Audit and Risk Management Committee;
- Establishment of the Remuneration, Nomination and Diversity Committee;
- The Board oversees the strategic direction of the Company;
- The Board approves all budget;
- The Board is to receive detailed Board papers and a Management Report on a monthly basis showing the monthly and year to date performance of all aspects of the Company, compared to budget;
- Procedures are in place to allow any Director or Committee of the Board to seek external professional advice as considered necessary, at the Company's expense;
- Procedures are in place to incorporate presentations from senior management at relevant Committee meetings on an as required basis to increase the Committee's understanding of the area. Further, the Board may request further information from management from time to time on any issue;

- In the event that a potential conflict of interest may arise, involved Directors withdraw from deliberations concerning the matter;
- The Board gives consideration to the impact of the Company's activities on the environment and wider community, safety and security and occupational health welfare of all personnel; and
- The Board undertakes any financial risk management

Last Updated:

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2 AUDIT and RISK MANAGEMENT COMMITTEE

Organisation

This policy governs the operations of the Audit and Risk Management Committee. The Committee shall review and reassess the policy at least annually and obtain the approval of the Board of Directors.

The Audit and Risk Committee is established to ensure the oversight by the Board of Directors of all matters related to the financial accounting and reporting, external audit, internal audit and risk management of the Company. The Committee monitors the processes which are undertaken by management and auditors. The Committee ensures that the Board, as representative of the shareholders, meets all corporate governance requirements. The external auditors are responsible to the Committee and the Board under this Committee.

Membership

The Committee shall be members of, and appointed by, the Board of Directors and shall comprise at least three Directors that have diverse, complementary backgrounds, and as a preference be independent of management and the Company. In addition, the Committee chair shall have leadership experience and strong finance, accounting and/or business background.

All Committee members shall be financially literate, or become financially literate within a reasonable period of time after appointment. Furthermore, at least one member shall have a reasonable level of accounting and/or related financial management expertise as determined by the Board of Directors.

The Committee is to be chaired by an independent Director who shall have leadership experience.

The Company Secretary will be the Secretary of the Committee.

Meetings

The Committee shall meet at least three times each year (immediately prior to the completion of the annual report, immediately prior to the completion of the half-yearly report and to review the annual audit plan) with the auditors and appropriate members of management. The purpose of these meetings shall be to:

- a) Review and if necessary have input into external audit plans.
- b) Review and approve the annual and half-year financial reports.
- c) Update the external audit plans.
- d) Review the risk management procedures implemented by management

Furthermore, the Committee shall meet in private session as and when required to assess management's effectiveness.

Purpose

The Audit and Risk Management Committee shall provide assistance to the Board of Directors in fulfilling its corporate governance and oversight responsibilities, as well as advise on the modification and maintenance of the Company's financial reporting, internal control structure, risk management systems, external audit functions, and appropriate ethical standards for the management of the company.

The Committee reviews the processes in place for the identification, management and reporting of business risk and reviews the findings reported.

A further purpose of the Committee is to check the ongoing independence of the auditors. In doing so, it is the responsibility of the Committee to maintain free and open communication between the external auditors and management of the Company.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

DUTIES AND RESPONSIBILITIES**Understanding the business**

The Committee shall ensure it understands the Company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the Company in the current environment.

Financial reporting

The primary responsibility of the Audit and Risk Management Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of its activities to the Board.

Whilst the Committee has the responsibilities and powers set forth in this policy, it is not the duty of the Committee to plan or conduct audits.

The Board of Directors is responsible for the Company's financial reports including the appropriateness of the accounting policies and principles that are used by the Company. The external auditors are responsible for auditing the Company's financial reports and for reviewing the Company's unaudited interim financial reports.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee will take appropriate actions to set the overall corporate `tone' for quality financial reporting, sound business risk practices, and ethical behaviour.

Assessment of accounting, financial and internal controls

The Committee shall discuss with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs with the objective of recommending enhancements and improving the quality of the accounting function. Any opinion obtained from the external auditors on the company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method.

The Committee will oversee risk management strategies in relation to currency hedging, debt management, capital management, cash management, investments and insurance.

The Committee shall meet separately and periodically with management, and the external auditors to discuss issues and concerns warranting Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. The Committee shall provide sufficient opportunity for the external auditors to meet privately with the members of the Committee. The Committee shall review with the external auditor any audit problems or difficulties and management's response. Further, the Committee shall review audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management.

The Committee shall receive regular reports from the external auditor on the critical policies and practices of the Company, and any applicable alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

Risk Management

ASX Corporate Governance Principles and Recommendations provide fundamental principles and recommendations for a corporate governance framework.

In accordance with Principle 7 : Recognise and Manage Risk “companies should establish a sound system of risk oversight and management and internal control.”

The Board is responsible for reviewing the Company’s policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has charged the Committee with the responsibility to manage the introduction and ongoing discharge of risk management across all Company activities.

The Board understands that the ultimate responsibility for risk oversight and risk management rests with the Board.

Risk Management Defined

Principle 7 states that Risk Management is:

“the culture, processes and structures that are directed towards taking advantage of potential opportunities while managing potential adverse effects.”

Risk Management Objectives of the Committee

The Committee takes ultimate responsibility to ensure the development and co-ordination of the risk management activities within the Company and to be the driving force in promoting the culture of risk management.

The Committee will facilitate the introduction and ongoing discharge of risk management into key areas of the Company’s activities whilst the responsibility for implementation of control strategies and follow up remains with management. The key tasks of the Committee will include:

- a) the development of a risk management policy and methodology for the Company to be endorsed by Board. The Committee shall define and document its policy for risk management, including objectives for, and its commitment to, risk management; and
- b) to ensure appropriate management accountability for risk management exists as well as ensuring that appropriate systems and control procedures are established.

Appointment of external auditors

The Committee shall be directly responsible for making recommendations to the Board of Directors on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting. In assessing which external audit firm is to be engaged, factors such as reputation, knowledge of industry, resources, commitment and value added benefits to the Company should be considered. Further, if it is deemed necessary based on a lack of actual or perceived independence, the Committee shall request for the rotation of external audit engagement partners.

A Committee member or a delegated senior member of management can approve all audit and non-audit services provided by the external auditors other than in the instance where the fees fall outside budget parameters. In this instance, full audit Committee approval must be received for such a transaction.

The Committee, Committee member or delegated senior member of management shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

Assessment of the external audit

The Committee, at least on an annual basis, shall obtain and review a report by the external auditors describing the following:

- The audit firm's internal quality control procedures; and
- All relationships between the external auditor and the Company to assess the auditor's independence.

Independence of the external auditors

The Committee shall review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

Scope of the external audit

The Committee shall discuss with the external auditors the overall scope of the external audit, including identified risk areas, significant problems that may be foreseen and any additional agreed-upon procedures. The Committee should also discuss the impact of any proposed changes in accounting policies on the financial statements and review the nature and impact of any changes in accounting policies adopted by the entity during the year.

In addition, the Committee shall also review the external auditor's compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level. Further, the Committee shall liaise with the external auditors to ensure their approach to the review/audit of the annual and half-year statutory accounts are conducted in an effective manner.

Review of Key Reports

The Committee shall review the annual report and half-year financial report prior to the filing of these with the ASX and distribution to the shareholders in the case of the annual report. The Committee is responsible for making the necessary recommendations to the Board for the approval of these documents.

The Committee shall discuss the results of the audit of the annual report, the half-year review and any other matters required to be communicated to the Committee by the external auditors under generally accepted auditing standards. It will be the decision of the Committee as to how they report the outcomes of these findings to the Board.

The Committee shall review all representation letters signed by management including the declaration from the chief executive officer and chief financial officer on compliance with statutory responsibilities to ensure that the information provided is complete and appropriate. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the external auditors under generally accepted auditing standards.

Other duties

The Committee is responsible for organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

The Committee should report to the Board the results of the Committee's review of risk management and internal control systems.

The Committee should advise the Board that management has reported to it as to the effectiveness of the Company's management of its material business risks.

The Committee should advise the Board as to whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Committee shall receive corporate legal reports of evidence of a material violation of

the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty. The Committee is responsible for reviewing reports on any major defalcations, frauds and thefts from the Company.

Administration

A notice of each meeting confirming the date, time and venue together with the agenda and Committee papers shall be forwarded to each member of the Committee at least three working days prior to the date of the meeting.

The Committee shall appoint a secretary who shall attend all Committee meetings and record minutes as minute secretary. All minutes of the committee, when approved and signed by the Committee chairperson and tabled at the next following meeting of the Board, shall be kept and maintained for that purpose and shall be open at all time for inspection by any Director.

- 1.1 A quorum shall comprise any two Committee members. In the absence of the Committee chairperson, the members shall elect one of their number as chairperson for that meeting.
- 1.2 The Committee may, with the prior approval of the Board, instruct the chief executive officer to engage independent advisors in relation to any matter pertaining to the responsibilities of the Committee.
- 1.3 The Committee shall report to the Board annually, on all matters relevant to the performance of its role and the discharge of its duties during the period.

Review of Committee

This policy shall be reviewed by the Committee on a regular basis and a report provided to the Board, if require, recommending any necessary amendment and additional duties and responsibilities.

Last Updated:

21 December 2011



POSEIDON NICKEL LIMITED ("the Company")

3 REMUNERATION, NOMINATION and DIVERSITY COMMITTEE

Charter

This policy governs the operations of the remuneration, nomination and diversity Committee. The Committee shall review and reassess the policy at least annually and obtain the approval of the Board of Directors.

Membership

- The Committee shall be members of, and appointed by, the Board of Directors and shall comprise at least two Directors. Directors serving on this Committee should have diverse, complementary backgrounds, the majority of which will preferably be independent of management and the Company. In the event that the Committee comprises only two Directors, both Directors should be independent.
- The Committee is to be chaired by an independent Directors who shall have leadership experience.
- The Company Secretary will be the Secretary of the Committee.

Meetings

The Committee shall meet at least once each year, with additional meetings when circumstances require, as determined by the Committee chairperson.

Convening and Notice of Meeting

Any member may (and the Secretary must act upon a request from any member) convene a meeting of the Committee. Notice is to be given to every member of the Committee with no minimum notice period required and no necessity for acknowledgement of notice before the meeting may be validly held.

Attendance

Members of the Committee are expected to be present at all meetings. As necessary, the chairperson of the Committee may request that members of management, consultants or others, which it may deem appropriate, be present at Committee meetings.

Quorum

Two members of the Committee shall constitute a quorum. In the event where only two members are present, the unanimous vote of the two members shall constitute an act of the Committee. Where the Committee comprises more than two Committee members, the act of a majority of the members present will constitute an act of the Committee.

Minutes

Minutes of each meeting are to be prepared by or under the direction of the Company Secretary. The Secretary shall maintain a permanent record of the minutes, and shall distribute minutes to members of the Committee and Directors who are not members of the Committee.

Purpose, Function and Responsibility

The Committee shall provide assistance to the Board of Directors in fulfilling its corporate governance and oversight responsibilities. The main functions and responsibilities of the Committee include the following:

REMUNERATION

The Committee will:

- Determine appropriate compensation arrangements for the Directors, the Chief Executive Officer and employees. From this, recommendations are made to the Board;
- Determine the executive remuneration policy; and
- Review and submit to the Board equity based plans.

Remuneration Policy

This policy governs the remuneration functions of the Committee. The Committee shall review and reassess the policy at least annually and obtain the approval of the Board of Directors.

Overall Directors Remuneration

Shareholder approval must be obtained in relation to the overall limit set for Directors' fees. The Directors must set individual Board fees within the limit approved by shareholders.

Further, shareholders must approve the framework for any equity schemes and if a Directors is recommended for being able to participate in an equity scheme, this participation must be approved by the shareholders.

Executive Remuneration**Main principles**

The remuneration policy reflects the Company's obligation to align executive Directors' remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the group. The main principles of the policy are:

- Reward reflects the competitive global market in which the Company operates. Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Elements of Remuneration

The executive Directors total remuneration consists of the following:

- Salary - each executive Directors receives a fixed sum payable monthly in cash.
- Bonus - each executive Directors is eligible to participate in a bonus scheme if deemed appropriate.
- Long Term Incentives - each executive Directors may participate in share option schemes with the approval of shareholders.
- Other benefits - executive Directors are eligible to participate in superannuation schemes.

Non-Executive Remuneration**Main principles**

Shareholders approve the maximum aggregate remuneration for non-executive Directors. The Committee recommends the actual payments to Directors and the Board is responsible for ratifying any recommendations if appropriate. The maximum aggregate remuneration approved for Directors at each year's Annual General Meeting will be allocated amongst the Directors in the proportions as determined by the Committee.

Directors are entitled to have their indemnity insurance paid by the Company.

NOMINATION

The Committee will:

- Review the appropriateness of the size of the Board relative to its various responsibilities and where necessary make recommendations to the Board to change the composition of the Board;
- Review the overall composition of the Board and Board Committees, taking into account factors such as:
 - expertise of each Board member;
 - business experience and integrity;
 - skills;
 - breadth of experience;
 - knowledge about the Company's business or industry; and
 - willingness to devote time and effort to the Board

and make appropriate recommendations as necessary. As such, the Committee shall determine the criteria, objectives and procedure for selecting new Board members;

- Review and recommend to the Board the criteria for Board membership, including assessment of the necessary and desirable competencies of the Board members;
- The Committee shall review potential candidates for the Board and report on the candidates and results to the Board for consideration. As such the Committee shall evaluate and conduct the appropriate inquiries into the backgrounds and qualifications of possible nominees;
- Recommend to the Board, members of the Board to be designated as chairperson of the Board's Committees;
- Make recommendations to the Board in relation to appropriate performance criteria, for both the individual Directors and full Board acting as a collective body. This may include such items as level of Directors attendance, preparedness, participation and candor;
- Review, develop and recommend to the Board if necessary, the criteria for determining Directors independence;
- The Committee shall monitor the orientation and continuing education programs for Directors.
- The Committee shall develop and review any relevant succession plans.
- The Committee shall reassess the adequacy of this charter at least annually and submit any proposed changes to the Board for review, discussion and approval.

DIVERSITY

The Committee will:

- Develop and annually review the Company's diversity strategy;
- Establish and monitor measurable objectives for achieving diversity that are linked to the Company's circumstances and industry;
- Assess and report to the Board at least annually on the objectives of the diversity strategy and progress achieved;

Delegated Responsibility

The Committee may form and delegate authority to sub Committees when appropriate.

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4 DIRECTORS and EXECUTIVE OFFICERS' CODE OF CONDUCT

This code of conduct sets ethical standards for the Directors of the Company. Directors will pursue the highest standards of ethical conduct in the interests of all shareholders and all other shareholders.

The following six principles govern their conduct.

Honesty and Integrity

- Directors shall act honestly and with integrity in all of their dealings for the Company. This includes engaging in and promoting honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Directors will not discriminate on the grounds of people's race, religion, gender, marital status or disability;
- Directors will not make promises or commitments that the Company does not intend, or would be unable, to honour;
- Directors' conduct, at all times will be such that their honesty is beyond question; and
- Directors shall adhere to the truth, and not mislead directly or indirectly nor make false statements, nor mislead by omission.

Confidentiality of Information

- Directors will take all reasonable measures to protect the confidentiality of non public information obtained or created in connection with their activities and to prevent the unauthorised disclosure of such information unless required by applicable law or regulation or legal or regulatory process or with the consent of the Company;
- Directors will not use information obtained by them as a Directors of the Company for personal financial gain, nor will that information be used to obtain financial benefit for any other person or business; and
- Directors shall respect the privacy of others.

Disclosure of Interests

- Directors shall fully disclose active private or other business interests promptly and any other matters which may lead to potential or actual conflicts of interest in accordance with such policies that the Directors may adopt from time to time;
- In performing their duties, Directors will carry out their responsibilities to the exclusion of any personal advantage;

- Directors should avoid any situation involving a conflict, or the appearance of a conflict, between their personal interests and the performance of their official duties. If such a conflict arises, Directors should promptly inform the Board and withdraw from participation in decision-making connected with the matter. If the conflict is potential rather than actual, Directors should seek the advice about whether they should excuse themselves from the situation that is creating the conflict or the appearance of conflict; and
- Directors shall fully disclose all relationships they have with the Company in accordance with policies on independence that Directors may adopt from time to time. Directors dealing with the Company will always be at arm's length to avoid the possibility of actual or perceived conflicts of interest.

Disclosure of Information

Produce true, fair, accurate, understandable and timely disclosure in reports and documents that the Company and its subsidiaries are requested to make.

Abiding by the Law

Directors shall abide by the law at all times, including any applicable rules and regulations.

Payments, Gifts, Entertainment and Travel

Directors shall not use their status as a Director to seek personal gain from those doing business or seeking to do business with the Company.

In regard to acceptance of favours, gifts and entertainment, Directors should exercise tact and judgement to avoid the appearance of improper influence on the performance of their official duties.

Directors shall not accept any personal gain of any material significance if offered.

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5 PERFORMANCE EVALUATION PROCESS

Overview

The Board must review its performance and the performance of the individual Directors including the Chief Executive Officer ("CEO"), the Committees of the Board, the Company and management regularly (this is achieved with the assistance of the Remuneration, Nomination and Diversity Committee). This is an important element of the Boards monitoring role, especially with regard to long term growth of the Company and of shareholder value.

Performance Evaluation Process

The Board is required to meet annually to discuss their performance as a whole. Consideration should be given to any objectives and defined criteria established as a benchmark for assessing performance against.

The Board should at a minimum address the following:

- Does the Board understand the Company's business adequately?
- Does the Board know the competition, market, risk factors etc?
- Does the Board spend enough time on the long term strategy?
- What is the balance of power between the Board and the CEO?
- Does the Board have access to information from management and other sources?
- Is the Board enhancing shareholder value by the best possible margin?
- The Board must ensure that any benchmarks that they are being appraised against are regularly reviewed to account for the changing environments facing the company.

Whilst discussing the performance of the Board, the Directors are encouraged to provide comments on the performance of the chairperson.

The chairperson of the Board is responsible for meeting with the individual Directors to discuss their individual performance and contribution to the Board. The chairperson should at a minimum address the following:

- Degree of independence including relevance of any conflicts of interests;
- Familiarity with Company operations and industry trends;
- Willingness to devote the necessary time including attendance at meetings, extent of preparation for meetings, willingness to participate in Committee work;
- Value and adding value to the contributions of the Board;
- Level of ethical awareness; and
- Personal relationships with colleagues, management and shareholders.

Whilst meeting with the individual Directors to discuss individual performance, the chairperson must take the opportunity to obtain comments about co-Directors performance on the Board.

As part of the performance evaluation process, all Directors are expected where applicable, to highlight areas for improvement and provide a description as to how this can be achieved.

At least annually the Board must review the performance of Committees reporting to it to ensure that the Committees are achieving outcomes.

The CEO is responsible for assessing the performance of the key executives within the organisation. This is to be performed through a formal process involving the completion of a performance appraisal questionnaire which is to be completed by the key executive and reviewed and discussed with the CEO in a formal meeting.

Each divisional manager is responsible for assessing the performance of the staff members within their division. This is to be performed through a formal process involving the completion of a performance appraisal questionnaire which is to be completed by the employee and reviewed and discussed with their manager in a formal meeting.

Based on the evaluation of the individual's performance, all managers are required to present a document to the executive Committee outlining the proposed compensation arrangements for each individual employee. A similar process is undertaken by the CEO in relation to key executives. The Remuneration, Nomination and Diversity Committee are then responsible for reviewing the compensation arrangement, making adjustments if necessary and preparing a recommendation to the Board of the compensation arrangements for each individual.

Refer to the Remuneration, Nomination and Diversity Committee Policy for comment on the remuneration of Board members.

The results of any review of the performance of an individual within the Company should be linked to their compensation arrangement.

In the event that a Directors, key executive or employee is not performing to an acceptable level, then a performance evaluation can be conducted on an as needs basis.

Links to Performance

Facilitating Performance by Education

In order to provide Directors with the best possible chance of adding value to the Company and contributing to an accepted level, the Company has induction procedures implemented which are designed to allow new Board appointees to participate fully and actively in Board decision making at the earliest opportunity. It is noted that new Directors cannot be effective until they have a good deal of knowledge about the Company and the industry within which it operates. The CEO is responsible for ensuring that the new Directors gains an understanding of all the necessary information relating to the Company. Such items include:

- The Company's financial, strategic, operational and risk management position;
- Their rights, duties and responsibilities;
- The role of the Board Committees; and
- The executive Committee shall monitor the orientation and continuing education programs for Directors.

Access to Information

In order to enhance performance the Board is provided with information it needs to efficiently discharge their responsibilities. The following is noted:

- The Company has an agreed procedure that Directors are permitted to take independent professional advice if necessary at the company's expense;
- All Directors have access to the Company Secretary;

- The appointment and removal of the Company Secretary is a matter for the decision of the Board; and
- Directors are entitled to request additional information where they consider that the information supplied by management is insufficient to support informed decision making.

Last Updated:

21 December 2011



POSEIDON NICKEL LIMITED ("the Company")

6 CODE OF BUSINESS CONDUCT

Introduction

The purpose of the code of conduct is to guide and enhance the conduct and behaviour of the Company Directors, officers, employees and contractors in performing their everyday roles. The code encourages and fosters a culture of integrity and responsibility with the focus of augmenting the Company's reputation as a valued employer, business partner and corporate citizen, in all our relationships.

The Company's code of conduct underpins the way the Company wishes to operate and should be understood and abided by all concerned.

THE CODE

Respect for Persons

Directors, officers, employees and contractors should approach dealings with other persons equitably and with respect. This involves:

- Courtesy and responsiveness in dealing with others;
- Fairness in supervision and dealing with other staff by valuing colleagues and their personal commitment to meet shared objectives;
- Encouraging cooperation and engaging rational debate to accomplish alternative points of view;
- Avoiding behaviour that might reasonably be perceived as harassment, bullying or intimidation; and
- Understanding and responding to the needs of our business partners and other stakeholders.

Respect for the Law

Directors, officers, employees and contractors should respect the law and act accordingly by observing and respecting the laws, customs and business methods of all countries in which we operate to the extent that we adhere to the underlying principles of the code of conduct.

Relations with Government Officials

Gifts, Favors and Bribery

Public officials play a special role in society. Conduct that may be acceptable in the commercial business environment may not be acceptable in relations with public officials. Directors, officers, employees and contractors may use only appropriate and lawful means to persuade public officials to render decisions or exercise discretion to the benefit of the Company. Efforts in matters affecting the Company's interests must be based solely on the merits and pursuant to proper procedures.

Directors, officers, employees and contractors may not offer, provide or solicit, directly or indirectly, any special treatment or favor from a public official in return for anything of economic value or the promise or expectation of future value or gain. Further, because of the potential for misunderstanding, the Company may not confer special treatment, favors, benefits or gifts upon public officials even if there is no matter pending before the public official.

Often, individual agencies or governmental units have detailed written codes of conduct relating to relations between public officials and their constituency. Some allow acceptance of gifts or entertainment of nominal value, such as a lunch or other entertainment, but many do not. Individuals should familiarize themselves with and adhere to the written codes of conduct, rules and regulations of governmental units within their area of responsibility. "Unwritten" custom or practice may not conform to written code or law. In determining whether to follow an "unwritten" custom or practice which does not conform to written rule or regulation consult with the corporate governance team on site or at corporate, and, if found to be acceptable, keep a record of such "customary" expenses.

International Anti Corruption Compliance

In 2005, the World Economic Forum published the Partnering Against Corruption Principles for Countering Bribery (PACI Principles). Whilst the Company is not required to be a signatory to the PACI Principles, it has decided to adopt them as a guiding framework. The PACI Principles require that the Company's books and records accurately and fairly reflect all international transactions, that the Company maintain a system of internal accounting controls to ensure that assets are safeguarded, that transactions conform to management's authorizations and that the Company's accounting records are accurate. Under the PACI Principles, no individual may falsely report transactions or fail to report the existence of false documentation in the accounting records. An example of such improper documentation would be the disguising of an illegal bribe as a consulting fee. Individuals certifying the correctness of records, including vouchers or bills, must have a reasonable basis to believe that the information is correct and proper.

The PACI Principles also requires that international business relations with foreign government representatives conform to the standards that exist in Australia, even if a different business ethic is prevalent in the other country. Accordingly, no person or enterprise acting on behalf of the Company, directly or indirectly, may offer a gift, payment or bribe, or anything else of value, whether directly or indirectly, to any foreign official, foreign political party or party official, or candidate for foreign political office for the purpose of influencing an official act or decision (such as the issuance of a mining or exploration permit or concession), or seeking influence with a foreign government in order to obtain, retain or direct business to the Company or to any person. In short such activity cannot be used to improve the business environment for the Company in any way. Thus, even if such payment is customary and generally thought to be legal in the host country, it is unacceptable to the Company, unless it is (1) expressly authorized by a written law of the host country, or (2) a reasonable and bona fide expenditure, such as travel and lodging expenses that is directly related to the promotion, demonstration or explanation of products or services; or the execution or performance of a contract with a foreign government or government agency.

As is the case under Australian law, even inexpensive gifts to government or political party officials, such as tickets to sporting events, may be prohibited under foreign local law and therefore could constitute a violation of the PACI Principles. If questions arise with respect to expenses to be incurred on behalf of foreign officials, consult with the Company before agreeing to pay such expenses.

Some "expediting" payments are authorized under the PACI Principles. Such payments must be directly related to non-discretionary conduct by lower level bureaucrats and unrelated to efforts by a company to obtain significant concessions, permits or approvals. Examples include permits relating to qualifying to do business in a foreign country, processing of visas and work orders, obtaining police protection, mail delivery, inspections of goods, telephone, power and water service, or loading and unloading of cargo. Such payments do not include payments of any kind relating to terms of continuing or new business agreements. Consult with the Company in regard to any proposed expediting payment.

A violation of foreign laws can result in criminal charges against the Company, its officers, its Directors and the individuals directly and/or indirectly committing the violation, regardless of the person's nationality. The Company's adoption of the PACI Principles is meant to provide Directors, officers, employees and contractors with an appropriate guidance framework to use to mitigate the potential for this occurrence. Additional materials regarding the PACI Principles are available from the Company. It is recommended that these materials be reviewed prior to undertaking company business outside Australia.

Political Contributions

Many laws around the world including Australian federal law and many Australian State laws prohibit or regulate contributions by companies to political parties or candidates. Thus such contributions must not be made on behalf of the Company without first consulting the Company. The term "political contributions" includes, in addition to direct cash contributions, the donation of property or services and the purchase of tickets to fund- raising events. Directors, officers, employees and contractors may make direct contributions of their own money in their own names, either directly to candidates or to political action Committees, but contributions are not reimbursable.

Integrity

Directors, officers, employees and contractors should consistently maintain their integrity whilst carrying out their duties by avoiding conflicts between their private interests and their responsibilities with respect to:

- Personal, financial and sexual relationships;
- Receipt of gifts and other benefits that may create an obligation;
- Use of confidential information obtained in the course of your duties; and
- External activities and public comment.

Diligence

Directors, officers, employees and contractors should carry out their roles in a professional and conscientious manner. This involves:

- Endeavouring to achieve highest standards of performance and adhering to professional codes of conduct where applicable;
- Exercising care for others in employment-related activities;
- Taking responsibility for all issues for which we have control; and
- Reporting fraudulent or corrupt activities.

Economy and Efficiency

Directors, officers, employees and contractors should carry out their roles in a cost effective and responsible manner. This includes:

- Using the Company's property and equipment only for authorised company business;
- Avoiding waste of the Company's resources; and
- Maintaining adequate security over the Company's property and resources.

Last Updated:

21 December 2011



POSEIDON NICKEL LIMITED

("the Company")

7 DEALINGS IN POSEIDON NICKEL LIMITED SECURITIES

PURPOSE

The purpose of this Policy is to:

- (a) provide a brief summary of the law which prohibits insider trading;
- (b) set out restrictions on dealing in securities by key management personnel of Poseidon Nickel Limited ("Poseidon"); and
- (c) assist in maintaining market confidence in the integrity of dealings in Poseidon's securities.

POLICY

Whenever a person has inside information which may affect the value of securities, they must not:

- (a) deal in those securities; or
- (b) communicate the information to anyone else

This rule applies regardless of how the inside information was obtained. It applies not only to Poseidon securities but also to the securities of other companies.

WHO IS COVERED BY THIS POLICY

This policy applies to Restricted Persons - the key management personnel of Poseidon. This includes all Directors, executive employees, contractors, consultants and employees.

Not only does this policy cover a Restricted Person of Poseidon but it applies equally to any dealings by their:

- (a) spouses – marriage or de facto;
- (b) dependents under the age of eighteen (18) years old; and
- (c) related parties (as defined in the Corporations Act 2001) - for example if a Restricted Person is a trustee of a trust and is also a beneficiary of the trust, the Restricted Person must not purchase or procure the purchase of Poseidon securities on behalf of the trust

THE SECURITIES COVERED BY THE POLICY

This Policy applies to the following securities:

- (a) Poseidon securities;
- (b) Any other securities issued by Poseidon, such as options;
- (c) Derivatives and other financial products issued or created over or in respect of Poseidon securities; and
- (d) Securities of any other company or entity that may be affected by inside information

INSIDE INFORMATION

Inside information is information that:

- (a) is generally not available to people who commonly invest in securities; and
- (b) if it was generally available, would or likely to have a material effect on the price or value of Poseidon securities and would influence persons who commonly invest in financial products whether or not to do so.

It is irrelevant how or in what capacity the person came into possession of the information.

Determining what is inside information can at times be subjective and not only does one need to consider the financial impact of the information but also the strategic and other implications can be equally important in determining what amounts to inside information.

Inside information about Poseidon could include

- Proposed changes in the capital structure, capital returns and buy backs of financial products;
- Information relating to Poseidon's financial results;
- Material (more than 5%) changes in Poseidon's financial forecasts or expectations;
- A material acquisition, divestment or realisation of assets;
- Material drill results or the likely discovery of a major ore body;
- Proposed dividends and share issues;
- Changes to the Board;
- Possible events which could have a material impact on profits (negatively or positively);
- Proposed changes in the nature of the business of Poseidon;
- Notification to Poseidon of a substantial shareholding;
- Any information required to be announced to the market pursuant to ASX Listing Rule 3.1.

Restricted Persons must not engage in short term or speculative dealing in Poseidon securities.

Available Information

Information relating to Poseidon that would fall outside the ambit of inside information is that which is available after it has been released to the Australian Securities Exchange (ASX) and the ASX has fully disseminated that information to the market.

THE LAW

The principal insider trading prohibition in Australian law is contained in section 1043A of the Corporations Act.

The *Corporations Act* contains provisions which prohibit a person in possession of inside information relating to a company from dealing in any way with shares, options or other securities issued by that company or issued or created over the company's securities by third parties.

In very broad terms insider trading will be committed, when a person:

- (a) Deals in Poseidon securities or securities of another entity whilst having inside information; or

- (b) Tips – communicates inside information to another person knowing that the other person would or likely to use that information to deal in, or procure someone else to deal in securities.

DEALINGS IN POSEIDON SECURITIES

Dealing in Poseidon Securities includes:

- (a) trading in securities encompassing subscribing for, buying, selling or entering into an agreement to do any of those things; and
- (b) communicating through advising, procuring or encouraging any other person to trade in Poseidon securities

Communicating to any other person includes: a family member, friend, associate, colleague, broker, financial planner, investment adviser, family company or family trust.

DEALINGS IN POSEIDON SECURITIES BY RESTRICTED PERSONS

Trading Windows

Restricted Persons are not permitted to deal in Poseidon securities during a Prohibited Period.

Prohibited Period for the purposes of this Trading Policy is defined as:

- (a) a closed period - the period of time outside a Trading Window; or
- (b) additional periods when Restricted Persons are not allowed to trade which is imposed by Poseidon from time to time; this is likely to occur when Poseidon is considering matters which are subject to Listing Rule 3.1A.

Restricted Persons of Poseidon (or any family member or associate over whom they have influence) are prohibited from dealing in Poseidon Securities unless such trading occurs during a nominated "Trading Window".

Unless the Board otherwise directs, in its absolute discretion, Trading Windows will be opened at the following times:

- (a) for a period of two (2) weeks following the public release by Poseidon of its quarterly reports including Appendix 5B to the ASX (commencing on the trading day of the release); and
- (b) for a period of two (2) weeks following the public release by Poseidon of its annual and half year results to the ASX (commencing on the trading day of the release);

The Trading Window opportunities whereby Restricted Persons are able to trade in Poseidon securities is limited to twelve (12) weeks in any one year, the remainder of the time is defined as a Closed Period. During these Closed Periods no trading in Poseidon Securities may occur without the permission of the Company Secretary or Managing Director.

A Prohibited Period may be called at any time by the Chairperson or Managing Director.

Notice of Prohibited Periods or changes thereto will be distributed by the Company Secretary to Restricted Persons by email. Changes to Prohibited Periods are effective immediately.

When is Dealing Permitted

Subject to the rules of any Poseidon employee or executive share or option plans, Restricted Persons can deal in Poseidon securities at any time:

- (a) during the Trading Windows, providing;
- (b) they do not have inside information; and
- (c) they are not involved in short term or speculative dealing

Notice of Intent to Deal in Poseidon Securities

A Restricted Person may seek a waiver to *purchase* Poseidon securities outside the Trading Windows.

In the case of Poseidon employees the written waiver must be addressed to the Company's Managing Director and for Directors, executive employees, contractors and consultants their written waiver notice must be addressed to the Company Secretary, or in the case of the Company Secretary to the Managing Director. A copy of all such notices will be sent to the Company Secretary for the official file.

The notice to deal must include a statement that they do not believe they are in possession of any Insider Information and are not involved in short term or speculative dealing in Poseidon securities as well as:

- (a) the name of the Restricted Person and Related Party (if applicable);
- (b) whether the interest in the Company's Securities held by the Restricted Person was direct or indirect (and if it was indirect, the circumstances giving rise to the interest);
- (c) the date of the Dealing;
- (d) the amount paid or received for the Securities; and
- (e) the number of Securities held by the Restricted Person, directly and indirectly, before and after the trading in Securities.

Approval will be applied taking into account the circumstances of the Restricted Person, the number of securities to be acquired and weighing this against any perceived detriment to Poseidon's reputation or risk to a stable market for Poseidon's securities.

The Restricted Persons must confirm with the Company Secretary that the dealing has occurred within three (3) business days. A copy of all purchase confirmations will be sent to the Company Secretary for the official file.

The Company Secretary will notify the Board of all purchases by Directors and executive employees as soon as reasonably practicable.

Trading Under Exceptional Circumstances

A Restricted Person who is not in possession of inside information in relation to Poseidon may be given prior written clearance to *sell or dispose* of their Poseidon securities outside the Trading Windows where there are exceptional circumstances.

Examples of what constitutes exceptional circumstances are:

- (a) severe financial hardship which means a Restricted Person has a pressing financial commitment that cannot be satisfied otherwise than by selling the Securities;
- (b) court order requiring the sale or transfer of Poseidon securities; or
- (c) a situation determined by the Chairperson or Managing Director to be an exceptional circumstance.

Trading under exceptional circumstances must be made in writing (including electronic format) to the Managing Director through the Company Secretary. Retrospective approval can not be granted, the approval to sell or dispose of securities must be obtained in advance of the trade.

The application must include:

- (a) the name of the Restricted Person;
- (b) whether the interest in the Company's Securities held by the Applicant is direct or indirect (and if it is indirect, the circumstances giving rise to the interest);

- (c) a description of the sale or disposal;
- (d) the proposed date of the sale or disposal;
- (e) the number of Securities to be sold or disposed of;
- (f) the amount to be paid or received for the Securities; and
- (g) the number of Securities held by the Applicant, directly and indirectly, before and after the sale.

Written approval (including electronic format), if granted will expire within fourteen (14) days of being granted or such shorter or longer period as specified.

Trading Excluded from the Policy

The following types of trading are specifically excluded from the operation of the Trading Policy:

- (a) the issue of Poseidon securities to Directors under the Poseidon Nickel Limited Director Share Plan in lieu of Director Fees;
 - (b) the issue of Poseidon securities under the Poseidon Nickel Limited Employee Share Option Plan;
 - (c) transfers of securities of Poseidon already held into a superannuation fund or other saving scheme in which the member of Personnel is a beneficiary;
 - (d) undertakings to accept, or the acceptance of, a takeover offer;
 - (e) trading under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution investment plan (DRP) and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board;
 - (f) a disposal of securities of the entity that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement; and
 - (g) the exercise (but not the sale of securities following exercise) of an option or a right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a Closed Period and where the member of Personnel could not reasonably have been able to exercise at a time when free to do so; and
- (a) trading under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in this Policy and where:
- o Personnel did not enter into the plan or amend the plan during a Trading Window; and
 - o the trading plan does not permit Personnel to exercise any influence or discretion over how, when, or whether to trade.

ASX DISCLOSURE OBLIGATIONS

The acquisition or sale of Poseidon securities by Poseidon Directors must be disclosed to the ASX under Listing Rule 3.19A within five (5) business days of the transaction taking place.

The details of the dealing must be provided to the Company Secretary as soon as possible after the dealing to allow the Company Secretary adequate time to complete and release of the documentation to the ASX on the Director's behalf. Details of any changes in Directors' interest in Poseidon securities must be noted in the Board minutes of the next meeting.

Restricted persons with a substantial shareholding in Poseidon securities (more than 5% of the issued capital) are also required to comply with the substantial shareholding notification provisions of the Corporations Act 2001 when there is a change in their holding. In this instance a notice must be provided to the ASX and to Poseidon in the prescribed form within two (2) business days of the change.

OTHER OBLIGATIONS

Restricted Persons are prohibited from hedging their incentive based remuneration by entering into "arrangements" that limit their exposure to risk relating to their remuneration that is unvested (due to time or other conditions) or is subject to a holding lock, ensuring that the actual level of executive remuneration is solely linked to performance. The "arrangements", will include a put option on incentive remuneration and income protection insurance contracts in which the insurance risk event effects the financial value of remuneration or an equity related instrument.

Restricted Persons also owe a duty of confidentiality to Poseidon. Restricted Persons must not reveal any confidential information concerning Poseidon, use that information in any way that may cause loss to Poseidon or use that information to gain an advantage for themselves.

In addition, a breach of the prohibitions contained in the *Corporations Act* is a criminal offence punishable by imprisonment for up to five years, a fine of up to \$220,000, or both.

Strict compliance with the Trading Policy is mandatory for all Restricted Persons covered by the Policy. Breaches of the Policy may damage the reputation of Poseidon in the investment community and undermine confidence in the market for Poseidon securities.

Breaches of the policy will be taken very seriously and will be subject to disciplinary action, including possible termination of employment. Reports of any breaches of the Policy will be forwarded to the Audit and Risk Management Committee.

REVIEW OF THIS POLICY

This Policy will be reviewed regularly by the Company's Directors having regard to the changing circumstances of the Company and any changes to this Policy will be notified to affected persons in writing.

If Directors and Senior Executives have any comments or views concerning the operation or effectiveness of this Policy, they should be communicated to the Company Secretary.

Last Updated:

21 December 2011



POSEIDON NICKEL LIMITED

("the Company")

8 COMMUNICATIONS STRATEGY

Strategy

The Directors of the Company recognise the importance of forthright communication and in order to prosper and achieve growth, it must (among other things) earn the trust of employees, customers, suppliers, communities and shareholders by being forthright in its communications and consistently delivering on its commitments.

Information Disclosure

In accordance with the disclosure requirements of the Corporations Act 2001 and the ASX Limited ("ASX") Listing Rules, the Company follows the following three main forms of information disclosure:

- continuous disclosure - which is its core disclosure obligation and primary method of informing the market and shareholders;
- periodic disclosure - in the form of full-year and half-year reporting and the quarterly reporting of exploration, production and development information together with corporate activities;
- specific information disclosure - as and when required, of administrative and corporate details, usually in the form of ASX releases.

Directors are committed to the promotion of investor confidence by ensuring that trade in the Company's securities takes place in an efficient, competitive and informed market.

As such, the Company will comply with the continuous disclosure obligations contained in the applicable Listing Rules of the ASX and in so doing will immediately notify the market by announcing to the ASX on which its securities are listed, any information in relation to the business of the Company that a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of securities.

Further, all information made available to the ASX is immediately available to shareholders and the market on the Company's website www.poseidon-nickel.com.au. The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company, hence in addition to its market disclosure, the Directors ensure shareholders are kept informed through a variety of other means:

- Shareholders can gain access to information about the company, including the annual report, half yearly and quarterly reports, the Chairperson's address delivered at the Annual General Meeting, key policies and other important information through the Company's website www.poseidon-nickel.com.au
- In conducting briefings, the Company takes care to ensure that any price-sensitive information released is made available to all shareholders (institutional and private) and the market at the same time and in accordance with the requirements of the ASX on which the Company is listed;
- Information is also released by email to all persons who have requested their name to be added to the contact database. Any person wishing to be added to this database can do so by contacting the Company Secretary on (08) 9367 8133; and

- The principal communication with private investors is through the provision of the Annual Report and financial statements and the Annual General Meetings. The Annual Report is available to shareholders via the Company website and is mailed to those shareholders who have requested to receive one from the Company on an annual basis. Notice of the Annual General Meetings is posted to shareholders at least 28 days in advance of the meeting. Shareholders also receive notices in relation to all meetings in which shareholders are permitted to attend.

Participation at General Meetings

The Directors recognise the rights of shareholders and encourage the effective exercise of those rights through the following means:

- Notice of meetings are distributed in accordance with the Corporation's Act and provide shareholders with the opportunity to attend general meetings;
- Shareholders are encouraged to use their attendance at meetings to ask questions on any matter, with time being specifically set aside for shareholder queries;
- In the event that a resolution is proposed, notices encourage shareholders participation through appointment of proxies; and
- The Company is obliged under the Corporation Act to provide the auditor with notice of a general meeting. The company has a policy of encouraging auditor attendance. In the event that the company's auditor or their representative attends the Annual General Meeting, the chairperson of that meeting will allow a reasonable opportunity for members to ask questions of the auditor concerning the conduct of the audit and the preparation and content of the auditor's report.

Last Updated:

21 December 2011



POSEIDON NICKEL LIMITED

("the Company")

9 DISCLOSURE POLICY

Introduction

This continuous disclosure policy sets out the procedure for:

- identifying material price sensitive information;
- reporting such information to the Chief Executive Officer ("CEO") for review; and
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Limited ("ASX") Listing Rules; and ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules.

This continuous disclosure policy applies to Directors and those members of senior management who are most likely to be in possession of, or become aware of, the relevant information. The Company's staff needs to be aware of the existence of the policy and to be familiar with its terms so that they can assist with reporting of potentially sensitive information to the appropriate persons within the Company.

Purpose

The purpose of this policy is to ensure that Company announcements are:

- made in a timely manner;
- are factual;
- do not omit material information; and
- are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Continuous Disclosure Protocol - Commitment

The Company is committed to:

- ensuring that shareholders have the opportunity to access externally available information issued by the Company;
- providing full and timely information to the market about the Company's activities; and
- complying with the obligations contained in the ASX Listing Rules and the Corporations Act relating to continuous disclosure.

Underlying Principle

The Company has obligations under the Corporations Act and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities, or influence an investment decision on its shares or securities, and to correct any material mistake or misinformation in the market. The Company discharges these obligations by releasing information to the ASX in the form of an ASX release or disclosure in other relevant documents.

Exceptions to ASX Listing Rule 3.1 on Continuous Disclosure

ASX Listing Rule 3.1 provides that disclosure is not required where:

- a reasonable person would not expect the information to be disclosed;
- the information is confidential; and
- one or more of the following applies:
 - (i) it is a breach of law to disclose the information; or
 - (ii) the information concerns an incomplete proposal or negotiation; or
 - (iii) the information is insufficiently definite to warrant disclosure; or
 - (iv) the information is generated for internal management purposes; or
 - (v) the information is a trade secret.

All three must be met for disclosure not to be required.

ASX Listing Rule 3.1

ASX Listing Rule 3.1 requires that the Company immediately notify the ASX of any information which it becomes aware of concerning the Company that a reasonable person would expect to materially affect the price or value of the securities.

A reasonable person would be taken to expect information to have a material effect on the price or value of securities if it would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities.

Hence, information is considered to be "material" if there is a substantial likelihood that it would influence an investor in deciding whether to trade in or hold the Company's shares/securities.

The Company becomes aware of information if any of its Directors or Executive Officers has or ought reasonably to have, come into possession of the information in the course of the performance of his or her duties as a Director or Executive Officer of the Company.

The disclosure obligation does not generally apply where the information is exogenous or generally available.

POLICY**The Policy**

The following procedures will apply to safeguard against breaches of the Company's continuous disclosure obligations:

- Directors and senior management must immediately notify the CEO as soon as they become aware of information that should be considered for release to the market (material information which is not to be disclosed);
- the CEO will:
 - (i) review the material information reported;

- (ii) determine, in consultation with all necessary parties as appropriate, whether any of the material information is required to be disclosed to the ASX; and
 - (iii) co-ordinate the actual form of disclosure with the relevant members of management.
- where a decision is made, that the item or information does not warrant an ASX release, the CEO is to advise Directors of the rationale for the decision;
 - in the event that the Company believes it has a significant and continuous disclosure obligation, the CEO has authority to make releases to the ASX without Board authority although he will endeavour to obtain such approval. In the event of the CEO not being available, approval from a Director will be required; and
 - where a significant broker or analyst presentation is to be given the CEO will consider releasing it as an ASX release.

Persons to whom this policy applies

This policy applies to:

- all Directors of the Company and its subsidiaries;
- all members of senior management; and
- all employees.

Obligations

- As soon as you become aware of information that:
 - (i) is not generally available (i.e. the information in question has not been included in any Annual Report, ASX Release or other publication of the Company); and
 - (ii) which may be price sensitive (i.e. it is likely to have a financial or reputation impact upon the Company that may be considered material)
- the CEO must be provided with all the necessary information to ensure that the matter is disclosed appropriately to all required parties.
- In order that the obligations under the above paragraph are complied with, there must be assurance that such procedures as considered appropriate are implemented to ensure if any person who reports to the Company becomes aware of or is in possession of information that is not generally available and/or which may be price sensitive, that person will promptly notify the Company of such information.

Market Speculation and Rumours

The ASX interprets Listing Rule 3.1 as requiring the Company to make a clarifying statement or announcement to the ASX in circumstances where it becomes aware that speculation or comment is affecting the price or volume of trading in its securities.

For example, when the market moves in a way that appears to be referable to the comment or speculation, the Company has an obligation to make such disclosure as is necessary in order to correct a false market in its securities and ensure investors are not trading on false or misleading information. Normally the ASX will indicate to the Company when it believes this is required.

Release of information to others

The Company must not release material price sensitive information to any person if that information is required to be disclosed to the ASX, until cleared by the ASX. The CEO or a nominee of the CEO will advise all relevant

parties when the release has been announced by the ASX. All the information disclosed through ASX is to be made available by the Company to shareholders after clearance by ASX.

Presentations/Enquires

For all information/presentations/briefings etc which are to be provided to third parties, each individual is responsible for ensuring that a copy of the material is provided to the CEO prior to presenting that information externally.

All inquiries from third parties must be referred to the CEO. All material presented at an analyst briefing, bank or other third party must be approved by or referred through the CEO prior to the briefing.

All inquiries from the media must be referred to the CEO.

Interview by employees

No employee may give an interview or make a presentation unless express authority or specific permission is received from the CEO.

An employee who is given permission by the CEO to give an interview or make a presentation must notify the CEO of the date and time for the interview and must give a copy of any presentation to the CEO.

MANAGEMENT OF THE POLICY

Specific Responsibilities

The CEO and/or the Company Secretary are responsible for:

- liaising with the ASX in relation to continuous disclosure issues;
- ensuring that the system for the disclosure of all material information to the ASX in a timely fashion is operating;
- reviewing proposed announcements by the Company to the ASX and liaising with the other Board members in relation to the form of any ASX releases;
- keeping a record of all ASX and other releases that have been made; and
- periodically reviewing the Company's disclosure procedures in light of changes to ASX Listing Rules or Corporations Act and recommending any necessary changes to the procedures.

BREACH OF POLICY AND PENALTIES

Breach of Policy

The Company contravenes its Australian continuous disclosure obligations if it fails to notify the ASX of the information required by Listing Rule 3.1 to be disclosed. If the Company fails to meet this obligation its officers may be guilty of an offence under the Corporations Act.

Liability and penalties

THE COMPANY

- If the Company contravenes its continuous disclosure obligations, it may face:
 - criminal liability with a fine if the contravention is intentional or reckless;
 - civil liability for any loss or damage suffered by any person as a result of failure to disclose relevant information to the ASX; and
 - de-listing from the ASX.
- The ASIC can also institute proceedings under the ASIC Act 1989.

OTHERS

The Company's officers (including its Directors), employees or advisers who are involved in the contravention, may also face criminal (monetary fine and/or 5 years imprisonment) and civil liability as outlined above.

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POSEIDON NICKEL LIMITED

("the Company")

10 RISK MANAGEMENT and INTERNAL CONTROL POLICY

Overview

The Company's Board recognises the importance of identifying and controlling risks to ensure that they do not have a negative impact on the Company. Procedures have been established at the Board and executive management levels which are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting.

Benefits of Risk Management and Internal Control Procedures

Some of the benefits identified in establishing and maintaining risk management procedures are as follows:

- more effective strategic planning;
- better cost control;
- enhancing shareholder value by minimising losses and maximising opportunities;
- increased knowledge and understanding of exposure to risk;
- a systematic, well-informed and thorough method of decision making;
- increased preparedness for outside review;
- minimised disruptions;
- better utilisation of resources;
- strengthening culture for continued improvement; and
- creating a best practice and quality organisation

Internal Control Policy

- The Board is ultimately responsible for the internal control framework and risk management of the Company and for regularly reviewing its effectiveness;
- The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed;

- Annually, the Board are responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level. (Refer below in relation to the role of the Audit and Risk Management Committee in undertaking this task);
- The Board will review and discuss strategic risks and opportunities arising from changes in the Company's business environment regularly and on an as needs basis;
- The Board may delegate some of the abovementioned responsibility to Committees of the Board but maintain the overall responsibility for the process; and
- The following Committees shall be established to assist the Board in internal control and business risk management:

Audit and Risk Management Committee; and

Remuneration, Nomination and Diversity Committee

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This also includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations. The Board has delegated this responsibility for the establishment of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit and Risk Management Committee. The Committee also provides the Board with additional assurance regarding the reliability of the financial information for the inclusion in the financial reports.

Remuneration, Nomination and Diversity Committee

This Committee is responsible for determining and reviewing the compensation arrangements for the Directors, the Chief Executive Officer, Executive employees and employees. Further, they are responsible for assisting the Board in appointing and terminating (if necessary) members of the Board.

The above Committees are responsible for reporting to the Board.

During the year the Board is responsible for reviewing the effectiveness of the Company's system of internal control for the financial year. This review is to include financial, operational, compliance and risk controls.

For any control which is not operating effectively, the Board is responsible for ensuring that the control issue is corrected and that the risk has a mitigating control which will reduce any risk to an acceptable level.

Each financial year, the Chief Financial Officer is required to provide formal representations to the Board confirming that the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and that the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Every employee has a responsibility for ensuring that any known breach of an internal control is reported to the appropriate level such that it can be dealt with accordingly. Further, every employee is encouraged to identify and report to their manager any potential business risk. The manager is then responsible for ensuring that the business risk is mitigated by establishing appropriate controls and monitoring the effectiveness of controls. Any significant control defects should be reported to the Board level and this often achieved through the reporting of defects first to the Audit and Risk Management Committee.

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POSEIDON NICKEL LIMITED

("the Company")

11 DIVERSITY POLICY

1.0 OVERVIEW

Poseidon Nickel Limited recognises its talented and diverse workforce as a key competitive advantage, and is committed to workplace diversity. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

This policy defines the initiatives which assist Poseidon with maintaining and improving the diversity of its workforce.

To the extent practicable, Poseidon will address the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) through this policy.

2.0 POSEIDON'S COMMITMENT TO WORKPLACE DIVERSITY

Poseidon is committed to providing a respectful environment where employees and others in the workplace are treated fairly and all decisions are based on merit.

The Board is committed to diversity and promoting this policy to maximise the achievement of corporate goals.

The Company's key areas of focus in the context of diversity relate to women in leadership, age diversity and cultural diversity.

3.0 BENEFITS OF DIVERSITY

Poseidon recognises the value of attracting and retaining employees with different backgrounds, knowledge, experiences and abilities.

The benefits arising from employee and Board diversity include:

- a broader pool of high quality employees;
- improving employee productivity and retention;
- accessing different perspectives and ideas; and
- benefiting from all available talent.

4.0 SELECTION AND APPOINTMENT OF DIRECTORS AND EMPLOYEES

Poseidon is committed to a corporate culture which embraces diversity when determining the composition of the Board, senior management and employees, including with its recruitment and selection processes.

The organisation's hiring processes ensure that recruitment and selection decisions are based on the principle of merit and a person's skills and qualifications, regardless of their age, gender, nationality, cultural background or any other factor not relevant to the position.

4.1 SELECTION AND APPOINTMENT OF NEW DIRECTORS

Poseidon's Diversity Policy requires the Board to take diversity of background into account (in addition to previous Board and leadership experience, candidates' skills and experience in a variety of specified fields) to fit and enhance the Board skills matrix.

In order to promote the specific objective of gender diversity, Poseidon's Diversity Policy requires that the selection process for Board appointments must involve the following steps (including where the Company engages an external recruitment agency to identify and assess candidates):

- Director selection process and decision making to be formal and transparent as set out in the ASX Principles;
- candidates should be selected from a diverse pool of qualified candidates. A wider candidate pool can be established by engaging a professional search firm and by advertising Board vacancies;
- at least one serious female candidate should be present on every shortlist; and
- if, at the end of the selection process, a female candidate is not selected, the Board must be satisfied that there are objective reasons to support its determination.

4.2 SELECTION AND APPOINTMENT OF EMPLOYEES (INCLUDING SENIOR MANAGEMENT ROLES)

In accordance with its Diversity policy, Poseidon will seek to maintain diversity objectives by including the following steps:

- the CEO will have reference to the Diversity Policy in selecting and assessing candidates and in presenting recommendations to the Board regarding appointments to the executive team. The Policy requires the Board to also consider gender diversity and the objectives of the policy when considering those recommendations;
- candidates should be selected from a diverse pool of qualified candidates. A wider candidate pool can be established by engaging a professional search/recruitment firm(s), and/or by advertising vacancies; and
- a short-list identifying potential candidates for the appointment should include a mix of both male and female candidates wherever possible.

5.0 DIVERSITY STRATEGIES

In addition to recruitment protocols which promote diversity, Poseidon is committed to a range of other strategies to assist with improving diversity including:

- developing a culture which takes into account domestic responsibilities of employees;
- as part of its annual remuneration review, assessing the gender pay parity across the business and implementing action plans to address any areas of concern;
- maintaining a workplace culture that supports difference and that enables each staff member to fully contribute to the best of their ability; and
- identifying what is getting in the way of diversity success and taking action to address the issues.

6.0 REPORTING OF MEASURABLE OBJECTIVES

While Poseidon is committed to all aspects of workplace diversity, for the purposes of reporting on measurable objectives, Poseidon's current focus is on gender diversity as required by the ASX Principles.

The Board will include in the Annual Report each year:

- measurable gender diversity objectives set by the Board;
- progress towards achieving these objectives; and
- the proportion of women employees in the whole organisation, at senior management level and at Board level.

Responsibilities and Accountabilities

Supporting workplace diversity is the responsibility of everyone in the Company:

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The Board	<ul style="list-style-type: none"> ▪ Reviewing the work of the Remuneration, Nomination and Diversity Committee in establishing an appropriate Committee structure to oversee formulating strategies and objectives to deliver a diverse workplace; ▪ Adopting a diversity strategy; and ▪ Annually monitoring progress.
Remuneration, Nomination and Diversity Committee	<ul style="list-style-type: none"> ▪ Develop and annually review the Company's diversity strategy; ▪ Establish and monitor measurable objectives for achieving diversity that are linked to the Company's circumstances and industry; ▪ Assess and report to the Board at least annually on the objectives of the diversity strategy and progress achieved;
CEO	<p>The CEO is responsible to the Board for:</p> <ul style="list-style-type: none"> ▪ The implementation of this policy; ▪ Reporting to the Board and the Remuneration, Nomination and Diversity Committee on performance objectives and on the implementation of diversity initiatives and programs.
Senior Executives	<p>Senior executives of the Company are responsible to the CEO for:</p> <ul style="list-style-type: none"> ▪ The practice and promotion of behaviour that is consistent with the Company's values and this policy; ▪ The incorporation of workplace diversity principles into their team and management practices; ▪ The recognition and use of the diverse skills and knowledge of employees; ▪ Support for employees who seek flexible work arrangements and leave entitlements, subject to business needs; ▪ Providing a workplace that is free from discrimination and harassment; ▪ Ensuring where possible and practical, meetings, travel and other work arrangements do not place undue or overly onerous pressure on employees with personal or other family commitments; and ▪ Resolving workplace issues in a timely, sensitive and effective manner wherever possible and in accordance with applicable law.
Employees	<p>All employees are responsible for:</p> <ul style="list-style-type: none"> ▪ Behaving in a way that is consistent with the Company's values and this policy; ▪ Respecting different ways of thinking and working to maintain a workplace that is inclusive and free from discrimination; ▪ Supporting other employees who access flexible work arrangements; ▪ Being aware of the Company's diversity initiatives and, where appropriate, being involved. ▪ Understanding that whilst the Company seeks fairness in its approach, the need to maintain a successful well managed and competitive business is in the interests of all shareholders.