

4<sup>th</sup> November 2015

## Re-negotiation of Convertible Notes

### *Highlights*

- Poseidon has completed a re-negotiation of its convertible notes
- Convertible note has been reduced by 50% to US\$17.5m (from US\$35m previously)
- Term of the notes have been extended by 42 months from March 2017 to September 2020
- Conversion price has been set at 9c per share (previously 33c) which represent a 70% premium to the current share price
- Interest rate has been maintained at 5% per annum to be paid in cash or shares at Poseidon's election
- New convertible notes have no material impact on dilution for Shareholders over the 5 year term
- Convertible notes remain unsecured and do not prevent the Company assuming additional secured project debt
- New notes will be subject to approval by Shareholders

Poseidon Nickel Limited (ASX:POS or the Company) is pleased to announce that it has secured an agreement to reduce the face value of its convertible notes by 50% to US\$17.5m and to extend the term of the notes to just under 5 years.

The convertible notes were originally issued in two tranches for a total face value of US\$35m as an investment in Poseidon made in June 2008 & March 2011. The notes were used to finance the development of the Company's assets, most notably resulting in the updated resource at Mt Windarra and the discovery and drill out of the Cerberus nickel deposit.

The notes were bought from the original issuer by the current holder in November 2012. The original notes, subject to shareholder approval, are to be terminated by the parties and replaced by a single new convertible note with substantially the same terms but modified as follows:

- The new note will have a face value of US\$17.5m which is repayable in cash on 30 September 2020. The note holder can convert in whole or in part to shares at 9 cents at any time during the term of the notes. The conversion price represents a 70% premium to the Poseidon share price at closing on 3<sup>rd</sup> November 2015

- The new note has a term of 4 years and 11 months to September 2020
- The interest coupon is 5% of the outstanding note amount of US\$17.5m payable quarterly in arrears in stock or cash at Poseidon's election
- The convertible notes are unsecured against the assets of the company and contain no negative pledges which limit, in any way, the ability of Poseidon to fund through debt or equity, any of its current or future projects

The net effect of the new note is to reduce the outstanding potential debt of the Company by 50% and to delay that repayment point by nearly another 5 years. In addition, Poseidon believes that the new notes will have no material real impact on equity dilution for current shareholders. This is because, in the event of conversion the additional potential dilution represented by the lower conversion price of \$0.09 is offset by the 50% lower face value and actual interest payment of the new notes over those being cancelled. Over the 5 year term, the level of additional dilution of the new note is approximately 1% of the projected share capital of the Company, compared to the existing notes if they were extended to the same maturity date (assuming current economics).

David Singleton, Managing Director & CEO said, "We are delighted to have re-negotiated Poseidon's convertible notes on such favourable terms. We are clearly in the low point of the commodity cycle and over the term of the notes fully expect that nickel prices will recover and that the Company can commence nickel sulphide production as planned. Under those conditions, and given the equity conversion price of the new notes, we would expect them to convert to equity and thereby eliminate the potential debt component. When these new notes were originally issued, we stated that the terms were class leading and this renegotiation continues that position in our opinion. Investors can now be clear that we have substantial head room and time to successfully and sequentially fund our projects as the market improves.

We have 5 separate nickel projects on 3 sites, the second largest nickel sulphide processing capacity in Australia and one of the largest JORC defined nickel sulphide inventories. The multiple and well defined projects give us a clear growth route with no risk of processing uncertainty given our in-house concentrator capacity. We require modest levels of restart capital at our well-known and thereby low risk brownfield projects and will be able to restart the initial projects within a few months of commodity pricing improving."

The issue of the new notes and cancellation of the existing notes will need to be approved by Poseidon's shareholders on or before 31 January 2016. Poseidon will provide an Independent Experts Report and call a General Meeting of Shareholders to seek this approval.

## **CORPORATE DIRECTORY**

### **Director / Senior Management**

David Singleton	Managing Director & Chief Executive Officer
Chris Indermaur	Non-Executive Chairman
Geoff Brayshaw	Non-Executive Director
Robert Dennis	Non-Executive Director
Ross Kestel	Company Secretary

### **Corporate Enquiries**

Mr David Singleton – MD & CEO

P: 61 8 6167 6600

F: 61 8 6167 6649

E: admin@poseidon-nickel.com.au

### **Shareholder Enquiries**

Enquiries concerning shareholdings should be addressed to:

Computershare Investor Services

GPO Box D182, Perth WA 6840

P: 61 8 9323 2000

### **Principal Office**

Unit 8, Churchill Court

331-335 Hay Street

SUBIACO WA 6008

P: 61 8 6167 6600

F: 61 8 6167 6649

### **Registered Office**

Level 2, Spectrum

100 Railway Road

SUBIACO WA 6008

P: 61 8 9367 8133

F: 61 8 9367 8812

### **Media Enquiries**

P: 61 8 6167 6600

F: 61 8 6167 6649

E: admin@poseidon-nickel.com.au

### **Home Exchange**

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