

## QUARTERLY REPORT

**30 SEPTEMBER 2009**

### COMPANY OVERVIEW

Poseidon is a Nickel exploration and development company focussed on the historic Windarra Nickel Project in the N.E. Goldfields.

The Windarra Nickel Project consists of an existing open pit and underground mine at South Windarra and Mount Windarra respectively as well as 24 kilometres of highly prospective and under-explored host mineralisation.

To date, Poseidon has defined 98,667 tonnes of JORC code compliant nickel sulphide resources at the Windarra Nickel Project. This comprises of 63,100 tonnes of contained nickel at Mt Windarra, adjacent and below the existing underground infrastructure representing a low cost entry to the market; as well as a maiden 25,269 tonne nickel resource at the Cerberus deposit and 10,298 tonnes of contained nickel at South Windarra.

ASX CODE: POS

\*see attached resource statement



**COMPANY HIGHLIGHTS**

- Poseidon's sulphide resource base approaches 100,000 tonnes of contained nickel
- Cerberus deposit may increase in size with infill drilling
- Geological modelling suggests the South Windarra deposit could be extended
- Continuing to progress potential strategic acquisitions to support the core business
- \$300,000 received and 9,000,000 ordinary shares issued in Triton Gold Ltd following successful IPO

**SIGNIFICANT EVENTS**

- The Company's JORC compliant nickel sulphide resource now stands at 98,667 nickel tonnes which represent a 64% increase on the previously published number and an increase of 121% over the maiden published resource in January 2008. This latest increase has been achieved through the geological and resource modelling of the South Windarra resource base not previously included in the resource calculations.
- Poseidon remains committed to the Windarra Nickel Project and believes that through its programme of resource drilling, refurbishment and feasibility work has lifted the projects prospectivity considerably. The Company intends to open negotiations with potential overseas partners who have an interest in the project off-take in the near future. The project priorities are to:
  - Undertake additional drilling activities to add to the understanding of the near surface characteristics of the newly discovered Cerberus deposit;
  - Review potential for drilling activity to further extend the newly JORC defined resource at South Windarra;
  - Identify the next exploration opportunity along the belt previously identified through geochemical activity;
  - Update the pre-feasibility completed in 2008 to take account of the potential higher throughput tonnages which could lower processing costs;
  - Develop an off-take partner to assist in funding the considerable exploration potential of the tenements.
- The Company has reported to shareholders over the last 9 months its desire to secure, by acquisition, an additional nickel asset which would be of major significance to the Group and one which could have the potential to add significant value to the core Windarra project. Whilst the Company has pursued this opportunity vigorously, shareholders will recognise that the Company is in the hands of the vendor in terms of completion and the associated timing. Poseidon continues to believe that the proposed acquisition has real potential but it does not believe that completion is necessarily imminent although work on this opportunity will continue in parallel with progressing the Windarra project.
- The Triton Gold Ltd ("Triton") Initial Public Offering ("IPO") was successfully completed in late July with an oversubscribed offering and the company officially listed on 14 August 2009 at a share price of \$0.20. A \$300,000 cash payment was made to Poseidon on 5 August 2009 in line with the sale agreement of gold rights. Poseidon has also been issued with 9,000,000 ordinary shares in Triton that will be held in escrow for a period of 2 years due to the ASX Listing Rules and the shareholding being greater than 10% of the voting securities.

**EXPLORATION UPDATE**

- This resource increase is associated with the known mineralisation at South Windarra, which was not included in the earlier resource calculations and has only recently undergone geological and resource modelling. Both **Indicated and Inferred Resources** have been calculated for the Windarra Nickel Project with the total resource base now standing at:

**5,924,063t @ 1.67% Ni for 98,667 tonnes of nickel metal** as detailed below;

**WINDARRA NICKEL PROJECT RESOURCE STATEMENT**

Windarra Nickel Project Sulphides	Cut Off Grade	Resource Category								
		Indicated			Inferred			TOTAL		
		Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Mt Windarra	1.0%	1,159,509	1.15	13,389	2,828,496	1.76	49,711	3,988,005	1.58	63,100
South Windarra	0.9%	820,326	1.15	9,434	82,404	1.05	864	902,730	1.14	10,298
Cerberus	1.5%				1,033,328	2.45	25,269	1,033,328	2.45	25,269
<b>Total Sulphide</b>		<b>1,979,835</b>	<b>1.15</b>	<b>22,823</b>	<b>3,944,228</b>	<b>1.92</b>	<b>75,844</b>	<b>5,924,063</b>	<b>1.67</b>	<b>98,667</b>

- The upgrade comes from the South Windarra Mine area where Poseidon has calculated the first JORC compliant resource estimation for the remaining mineralisation. Both **Indicated and Inferred Resources** have been calculated for the South Windarra Mine area as detailed below:

**SOUTH WINDARRA RESOURCE STATEMENT**

**902,730t @ 1.14% Ni for 10,298 tonnes of nickel metal** at a 0.9% Ni cut-off grade (COG) or:

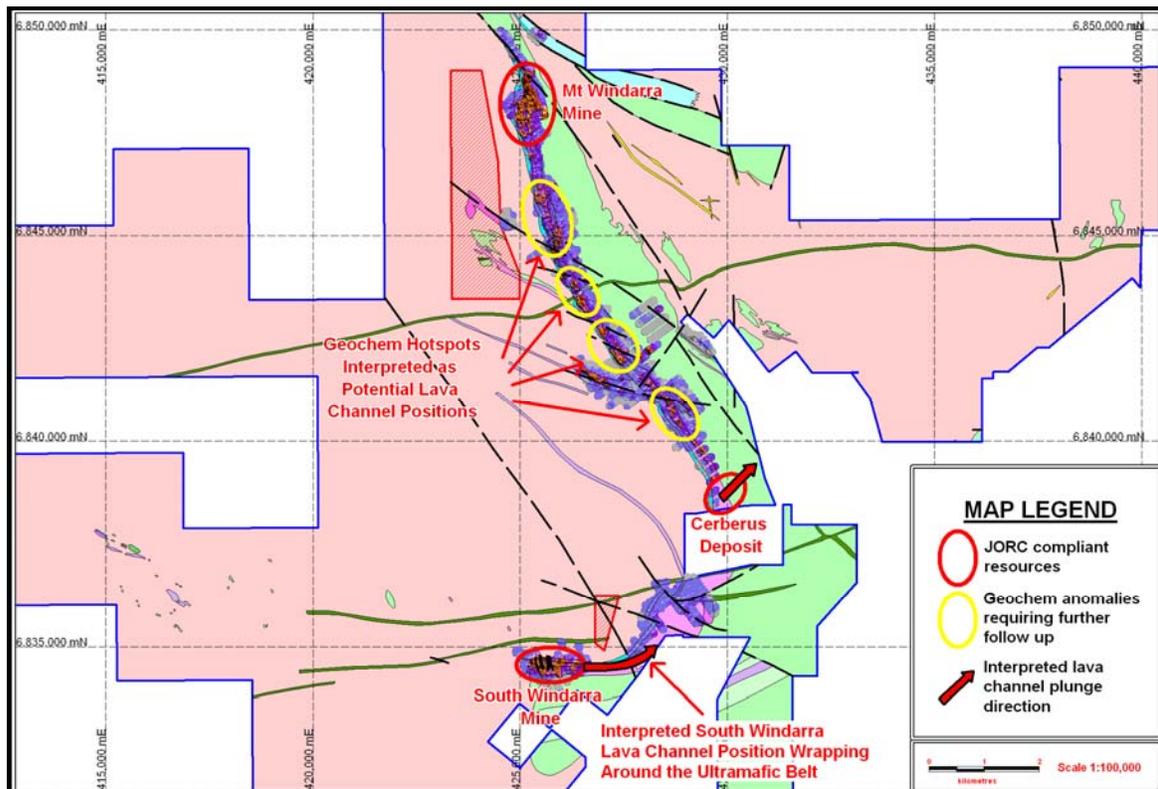
South Windarra Nickel Sulphides	Cut Off Grade	Resource Category								
		Indicated			Inferred			TOTAL		
		Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
East Extension	0.9%	443,169	1.16	5,159				443,169	1.16	5,159
Below Workings	0.9%	377,157	1.13	4,275	82,404	1.05	864	459,561	1.12	5,139
<b>Total Sulphide</b>	<b>0.9%</b>	<b>820,326</b>	<b>1.15</b>	<b>9,434</b>	<b>82,404</b>	<b>1.05</b>	<b>864</b>	<b>902,730</b>	<b>1.14</b>	<b>10,298</b>

**The following parameters were used in the Inferred Sulphide Resource calculations:**

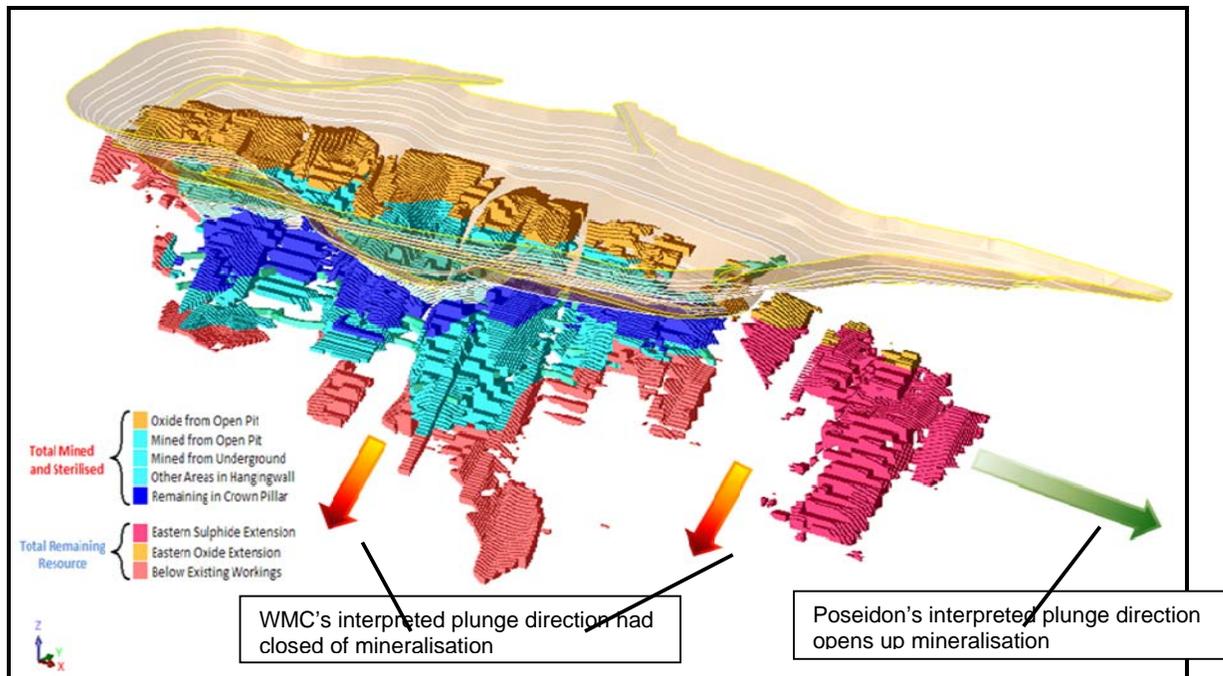
*Cut-off grade of 0.9% Ni using IDW<sup>2</sup> block modelling (A grade tonnes curve concluded that a 0.9% nickel cut-off based on a 0.5% wireframe was the optimal reporting cut-off point).*

- The South Windarra Deposit is located 13.5km south of the Mt Windarra Deposit and lies at the south-western end of the Windarra Ultramafic belt (Figure 1). Mineralisation occurs within a thermally eroded lava channel at the base of the thick Windarra Ultramafic unit, which comprises a sequence of thinner komatiite lava flows. South Windarra was mined intermittently by WMC between 1974 and 1992 using a combination of open-cut and underground mining techniques. Records show that 3.17Mt of ore at 1.35% Ni was mined from the South Windarra Deposit, producing a total of 42,646t of nickel.

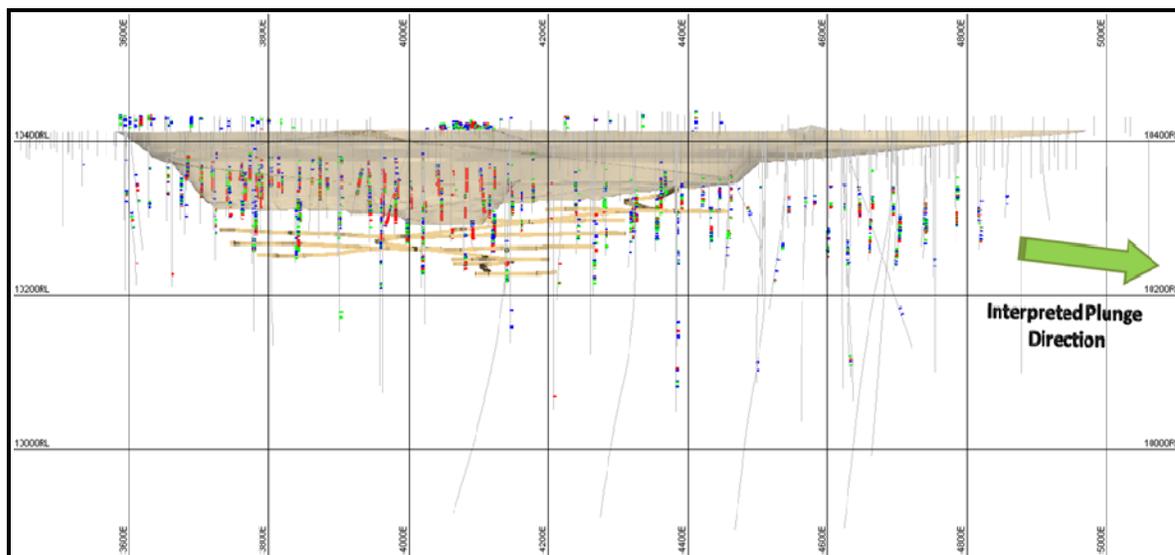
- The South Windarra Resource is an estimation of the mineralisation which is both potentially accessible and may be economically viable in the future. The crown pillar between the base of the open-cut pit and the top of the underground workings has not been included in this calculation as its size has not been verified and is deemed unrecoverable at this stage (Figure 2). Both the Mt Windarra and South Windarra databases have now been completely reconstructed using original drill logs and assay results which were archived on microfilm by WMC in the 1990's. Earlier data entry errors in the existing database have all been corrected and validated in order to complete the resource calculations to JORC compliant standards.
- Poseidon's geologists have used modern 3D computer modelling work and their understanding of these ancient nickel forming lava channel systems during the search for nickel sulphides within the WNP. This led the company to the discovery of the Cerberus deposit, the first in the belt since 1971, as well as identifying and understanding the nature of the lava channel which hosts the South Windarra mineralisation. WMC interpreted the mineralisation to be south plunging, and consequently the mineralisation was thought to have terminated at depth below the South Windarra workings. Poseidon's 3D modelling and re-interpretation indicates that the lava channel and mineralisation plunge shallowly to the east, and is open along strike and down plunge (Figures 1, 2 & 3). RC drilling is currently being assessed to test for down plunge mineralisation within the interpreted lava channel extension. This has the potential to unlock a previously unrealised shallow resource base extending from and to the east of South Windarra.



**Figure 1:** Geology and tenure of the Windarra Nickel Project showing the locations of the Mt Windarra, Cerberus and South Windarra Nickel Deposits. Geochemical sampling shows anomalous “Hotspots” which are interpreted as potential lava channel positions and warrant follow-up exploration. The red arrow extending eastwards from South Windarra defines the interpreted plunge direction of the lava channel and will be the focus of impending exploration activities.



**Figure 2:** 3D view of the South Windarra Mine (looking NNW) showing the mined and remaining ore resources, and the open mineralisation trend along the interpreted plunge direction of the lava channel.



**Figure 3:** Long section of South Windarra Mine (looking north) with drill hole intersections defining the lava channel and the open mineralisation which is interpreted to plunge in an easterly direction.

*Note: The information in this report relates to Exploration Results and Mineral Resources based on information compiled by Mr N Hutchison who is a Member of The Australian Institute of Geoscientists. Mr Hutchison has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' He has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*The Australian Stock Exchange has not received and does not accept responsibility for the accuracy or adequacy of this release.*

**OPERATIONS**

- At this time, the Windarra site remains on care and maintenance. Monitoring of the underground mine has shown no significant deterioration and due to the slow rise in water levels, pumping has not been required at this stage. The underground water level continues to remain below the point in the decline at which the refurbishment was stopped.

**FINANCIAL**

- The Company has cash on hand totalling approximately \$2.1 million as at 30 September 2009 having made a deferred and final payment of \$1.0 million to BHP Billiton for the acquisition of the Windarra Nickel Project under the terms of the original sale agreement.
- In view of the forecast cash position, the Board of Directors is confident in securing sufficient additional funding to provide working capital for at least the next 18 months and has identified a number of options for achieving this outcome that are currently being pursued. In addition, the Company has underwriting support for a capital raising should this be required.

**MARKET INFORMATION**

- Figure 4 below shows the underlying correlation between Poseidon's share price and the LME Nickel price over the last 18 months.



**Figure 4**

**CORPORATE**

- In line with Poseidon's policy to only pay Directors fees in shares in order to retain the cash reserves of the Company, 154,845 Fully Paid Ordinary Shares were issued in lieu of Directors fees for the quarter to June under the terms of the Director Share Plan. The shares were issued on 20 July 2009 at a deemed issue price of \$0.2653, based upon the volume weighted average sale price ("VWAP") for the 90 days prior to the expiration of the quarter. The payment of shares as opposed to cash is intended to reduce the cash cost to the Company.



**David P.A. Singleton**  
MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER

29 October 2009

Enc

**CORPORATE DIRECTORY**

**Director / Senior Management**

David Singleton	Managing Director & Chief Executive Officer
Andrew Forrest	Non-Executive Chairman
Geoff Brayshaw	Non-Executive Director
Richard Monti	Non-Executive Director
Chris Indermaur	Non-Executive Director
Ross Kestel	Company Secretary

**Corporate Enquiries**

Mr David Singleton – MD & CEO  
P: 61 8 9382 8799  
F: 61 8 9382 4760

E: [admin@poseidon-nickel.com.au](mailto:admin@poseidon-nickel.com.au)

**Shareholder Enquiries**

Enquiries concerning shareholdings should be addressed to:

Computershare Investor Securities  
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 9382 8799  
F: 61 8 9382 4760

**Registered Office**

Level 2, Spectrum  
100 Railway Road  
SUBIACO WA 6008  
P: 61 8 9367 8133  
F: 61 8 9367 8812

**Media Enquiries**

Mr Paul Downie  
FD Third Person  
P: 61 8 9386 1233 M: 0414 947 129  
E: [paul.downie@fdthirdperson.com.au](mailto:paul.downie@fdthirdperson.com.au)

**Home Exchange**

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

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Poseidon Nickel Limited

ABN

60 060 525 206

Quarter ended ("current quarter")

30 September 2009

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(559)	(559)
(b) development	-	-
(c) production	-	-
(d) administration	(525)	(525)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	44	44
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - R & D tax concession received	329	329
- Sundry income	18	18
<b>Net Operating Cash Flows</b>	<b>(693)</b>	<b>(693)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(1,000)	(1,000)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	300	300
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(700)</b>	<b>(700)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,393)</b>	<b>(1,393)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,393)	(1,393)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(16)	(16)
1.18	Dividends paid	-	-
1.19	Other	-	-
	<b>Net financing cash flows</b>	(16)	(16)
	<b>Net increase (decrease) in cash held</b>	(1,409)	(1,409)
1.20	Cash at beginning of quarter/year to date	3,552	3,552
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>2,143</b>	<b>2,143</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	112
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

On 20 July 2009, 154,845 ordinary shares were issued at a price of \$0.2653 per share as approved by the Shareholders at the Annual General Meeting in November 2008. The shares were issued to the Non-Executive Directors in lieu of Directors Fees for the June 2009 quarter. This has not been included in the above cash flow.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	15,619	15,619
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	-
<b>Total</b>	<b>400</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,143	1,552
5.2 Deposits at call	1,000	2,000
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,143</b>	<b>3,552</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	P38/3272	Owned	100%	Nil
	P38/3273	Owned	100%	Nil
	P38/3274	Owned	100%	Nil
6.2 Interests in mining tenements acquired or increased	N/A			

+ See chapter 19 for defined terms.

Appendix 5B  
Mining exploration entity quarterly report

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	160,540,084 50,000 5,517,200	160,226,953 50,000 5,517,200	\$0.102 \$0.102	\$0.002 \$0.062
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	154,845	154,845		
7.5 <b>*Convertible debt securities</b> <i>Unsecured</i>	15,906,681 This is an estimate only based on an average exchange rate of 0.943.	-	USD\$0.943	The Notes have a six year term convertible into fully paid ordinary shares at AUD\$1.00.
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
<i>Listed</i>	6,157,403	6,157,403	\$0.81	5 December 2009
<i>Listed</i>	6,157,904	6,157,904	\$0.92	5 December 2011
<i>Unlisted</i>	1,000,000	-	\$1.96	2 July 2011
<i>Unlisted</i>	2,500,000	-	\$0.40	31 July 2012
<i>Unlisted</i>	115,000,000	-	\$0.40	19 September 2012
<i>Unlisted</i>	533,000	-	\$1.41	22 October 2012
<i>Unlisted</i>	2,000,000	-	\$0.80	19 December 2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Director)

Date: 29 October 2009

Print name: Geoff Brayshaw

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

---

+ See chapter 19 for defined terms.