

QUARTERLY REPORT

30 JUNE 2009

COMPANY OVERVIEW

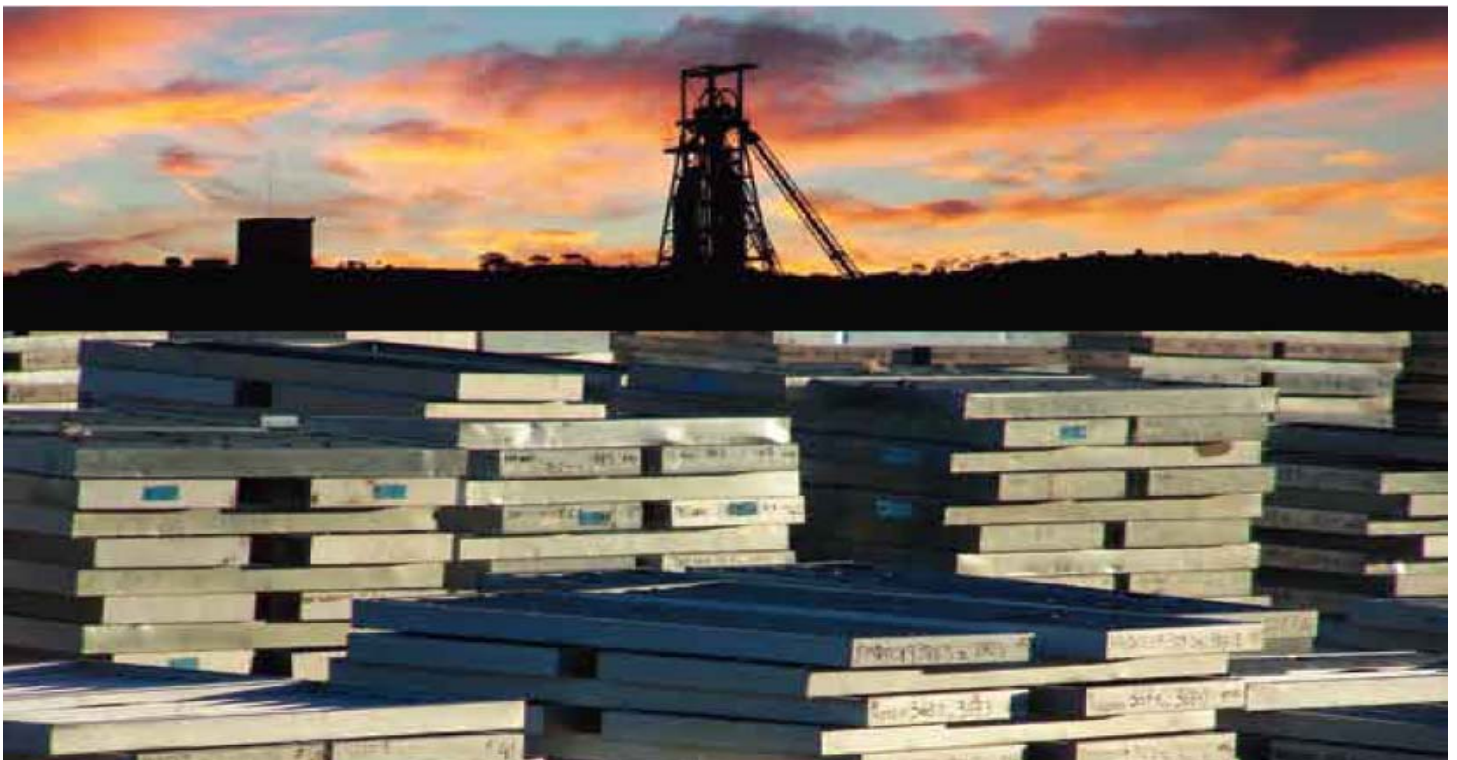
Poseidon is a Nickel exploration and development company focussed on the historic Windarra Nickel Project in the N.E. Goldfields.

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.

In the last year, Poseidon has defined 88,369 tonnes of JORC code compliant nickel sulphide resources at the Windarra Nickel Project. This comprises of 63,100 tonnes of 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.

ASX CODE: POS

*see attached resource statement



COMPANY HIGHLIGHTS

- Continuing to progress potential strategic acquisitions to support the core business
- Poseidon is well funded with sufficient cash reserves and access to agreed funding for the foreseeable future
- Sale of Gold Rights on West Australian tenements to Triton Gold
- Poseidon reappoints Chris Indermaur to the Board

SIGNIFICANT EVENTS

- As previously reported, the Company remains focussed on completing the acquisition of additional assets. The acquisition process has been significantly more extended than initially anticipated but the compelling logic remains. Poseidon believes that the value of Windarra can be considerably enhanced by integrating it with other operations, particularly as the resource extension is proceeding well. The newly discovered Cerberus deposit at Windarra, and the potential for extending the known South Windarra mineralisation (reported below), has significantly improved the value of the potential mining operations on the site.
- Earlier this year Poseidon announced its intention to sell the rights for Gold exploration and development on its tenements to Triton Gold which intended to seek an Initial Public Offering (IPO) on the Australian Stock Exchange. The IPO was successfully completed in late July with an oversubscribed offering and the company will officially list shortly. Poseidon Nickel shareholders were given a priority offering in the float.
- Poseidon will transfer the gold rights in exchange for the following:
 - A \$300,000 cash payment payable on successful IPO completion and listing of Triton;
 - 9,000,000 ordinary shares in Triton. At listing, Poseidon will own approximately 13% of the issued share capital of Triton and has appointed its CEO as a Non-Executive Director to the Triton Board;
 - Triton will be obliged to meet approximately 50% of the minimum commitments on each of the tenements in which it retains an interest;
 - The Company will have access to all drilling and testing carried out on its tenements.

EXPLORATION UPDATE

- During the quarter, Poseidon's geologists have focussed on the South Windarra Mine area. Additional historic drill hole data has been located in the WMC archives allowing the information to be entered into the company's database. Errors in the existing database have been corrected and validated in order to begin work on the calculation of the first JORC compliant resource estimation for the remaining South Windarra mineralisation.

- In conjunction with the Cerberus discovery and interpretation, this work has also led Poseidon's geologists to identify and understand the nature of the lava channel which hosts the South Windarra mineralisation. WMC interpreted the mineralisation to be south plunging and consequently the mineralisation terminated at depth below the South Windarra workings. Poseidon's re-interpretation indicates that the lava channel and mineralisation plunge shallowly to the east, and is open along strike and down plunge (Figure 1 & 2). Once modelling is completed and the JORC compliant resource has been determined, drilling will be planned to test for down plunge mineralisation within the interpreted lava channel. This has the potential to unlock a previously unrealised shallow resource base within the Windarra Nickel Project.

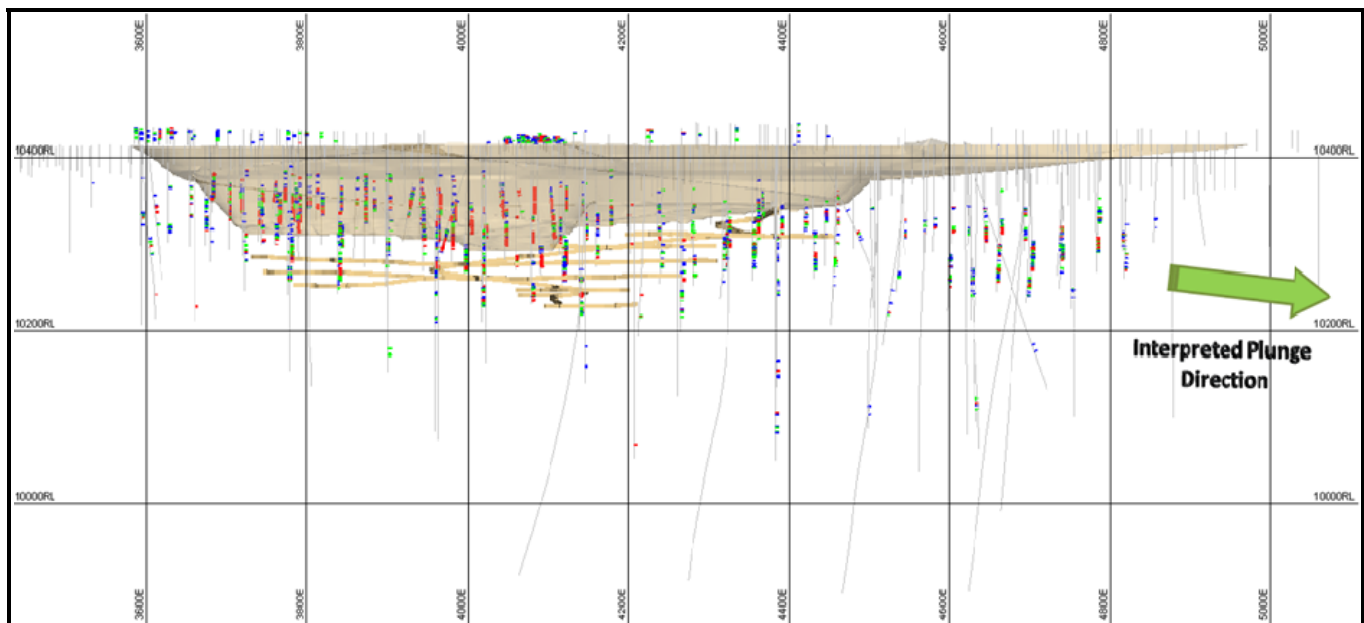


Figure 1: Long section of South Windarra Mine (looking north) with drill hole intersections showing interpreted lava channel and mineralisation plunge direction open to the east.

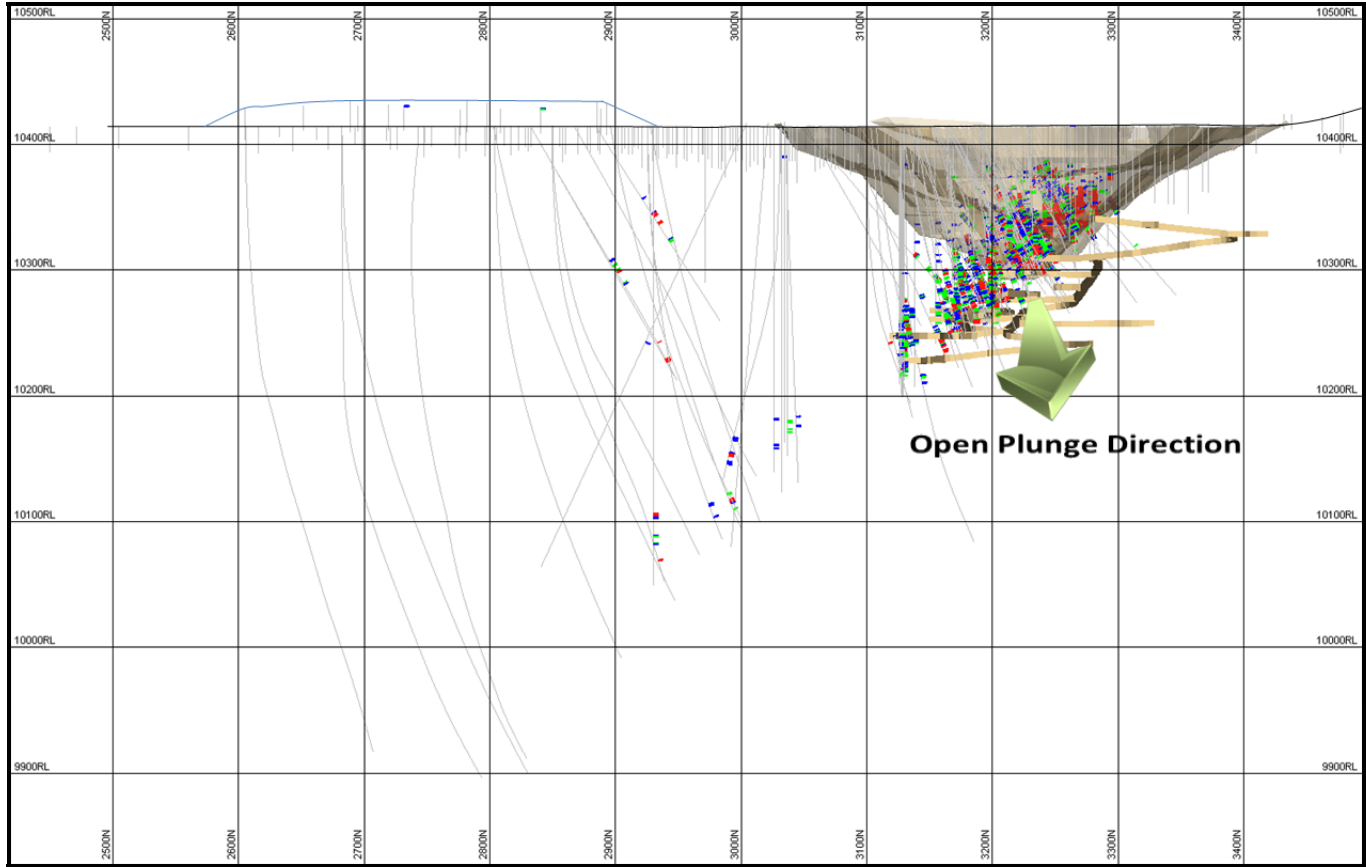


Figure 2: Cross section of South Windarra Mine with drilling and nickel intersections (looking west). The mineralised channel is open and plunging shallowly to the east (out of the page).

- Work on the Waite Kauri JV (Poseidon Nickel earning 80% from Eagle Eye Metals Ltd) 43km north east of Leonora comprised applying for a Mining Lease (MLA37/1289) over 6 of the Prospecting Leases which cover the nickel laterite mineralisation. The PLs (P37/6634-6636, P37/6664-6665 & P37/6757) are due to expire in July and have now been covered by the MLA. A detailed Mineralisation Report and Supporting Statement was prepared and submitted to the Department of Mines and Petroleum in consideration for the mining lease approval. This included the JORC compliant Inferred Resource of **2.53Mt @ 0.7% Ni and 0.05% Co**, as well as the bulk sampling and metallurgical test work completed by Poseidon on the Waite Kauri ore.

WINDARRA NICKEL PROJECT RESOURCE STATEMENT

Windarra Nickel Project Sulphides	Tonnes	Ni% Grade	Ni Metal t	Resource Category
Mt Windarra	1,159,509	1.15	13,389	Indicated
Mt Windarra Deeps	2,828,496	1.76	49,711	Inferred
Cerberus	1,033,328	2.45	25,269	Inferred
Total Sulphide	5,021,333	1.76	88,369	All Categories

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

- 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 currently remains below the point in the decline at which the refurbishment was stopped. All infrastructure continues to be maintained in good condition.

FINANCIAL

- The Company has cash on hand totalling approximately \$3.6 million as at 30 June 2009 and continues to focus on minimising all operational cost areas. The Board of Directors is satisfied that the Company has sufficient cash reserves to carry out its planned activities for at least the next 12 months assuming that the mine operational status remains the same.
- In view of the forecast cash position, Poseidon has not requested to draw on the second tranche of the funding package secured with Harbinger Capital Partners in June 2008 and does not expect to do so in the immediate future. This situation will be reviewed should the circumstances of the Company change materially.

MARKET INFORMATION

- Figure 3 below shows the underlying correlation between Poseidon's share price and the LME Nickel price over the last 18 months.

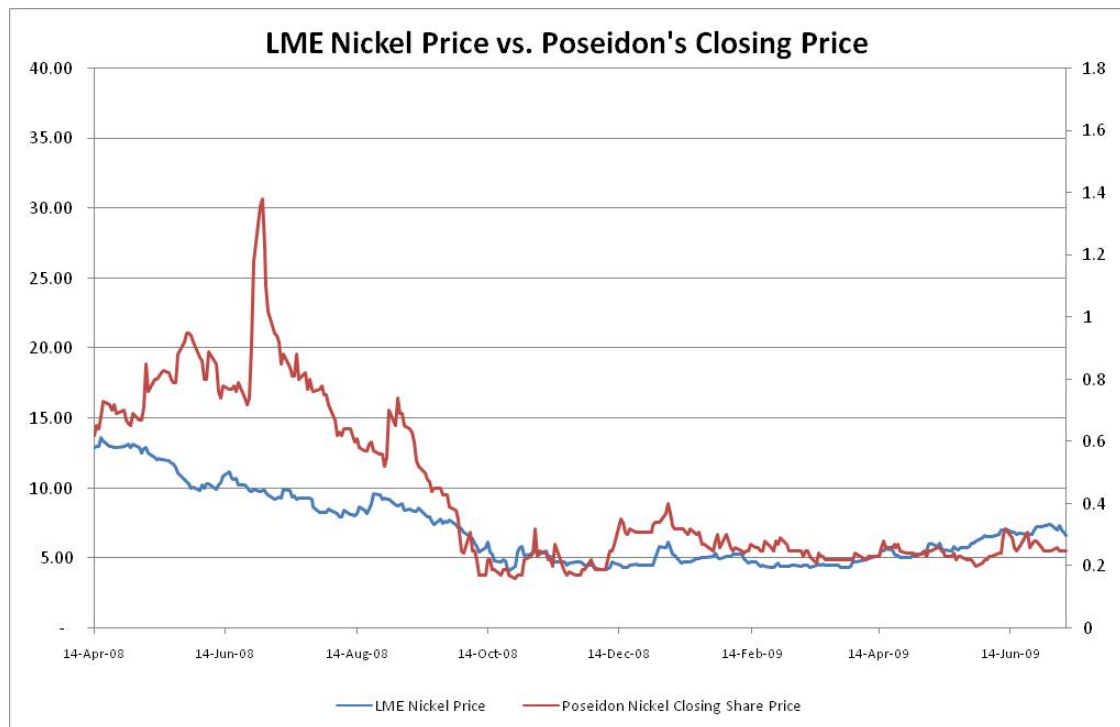


Figure 3

CORPORATE

- In line with Poseidon's policy to only pay Directors fees in shares in order to retain the cash reserves of the Company, 145,698 Fully Paid Ordinary Shares were issued in lieu of Directors fees for the quarter to March under the terms of the Director Share Plan. The shares were issued on 12 May 2009 at a deemed issue price of \$0.2819, 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 not intended to confer any additional benefit for Directors.
- Poseidon believes that it has entered a period of strategic importance in the Company's development and has been fortunate to reappoint Chris Indermaur to the Board as a non-executive Director to support this effort. Chris left the Board late last year to undertake an executive role in an unrelated company and was reappointed on 2 April 2009.



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

31 July 2009

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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

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

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 June 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(672)	(9,329)
(b) development	-	-
(c) production	-	-
(d) administration	(768)	(3,214)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	54	573
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	16	303
Net Operating Cash Flows	(1,370)	(11,667)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(4)	(414)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	(4)	(414)
1.13 Total operating and investing cash flows (carried forward)	(1,374)	(12,081)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,374)	(12,081)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	11	1,330
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(16)	(62)
1.18	Dividends paid	-	-
1.19	Other	-	-
Net financing cash flows		(5)	1,268
Net increase (decrease) in cash held		(1,379)	(10,813)
1.20	Cash at beginning of quarter/year to date	4,931	14,365
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,552	3,552

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	124
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 13 May 2009, 145,698 ordinary shares were issued at a price of \$0.2819 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 March 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	645
4.2 Development	-
Total	645

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	1,552	931
5.2 Deposits at call	2,000	4,000
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	3,552	4,931

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	N/A			
6.2 Interests in mining tenements acquired or increased	E38/2162	Granted	Nil	100%
	E39/1325	Granted	Nil	100%
	E39/1326	Granted	Nil	100%
	E37/986	Granted	Nil	100%
	E37/987	Granted	Nil	100%
	E37/988	Granted	Nil	100%
	E37/989	Granted	Nil	100%

+ 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 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	160,385,239 50,000 5,517,200	160,072,108 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	145,698	145,698		
7.5 +Convertible debt securities <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 Options			<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 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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:



Date: 31 July 2009

(Director)

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.

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