

26 June 2008

Company Announcements Officer
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir

**Re: US FUND MANAGER HARBINGER CAPITAL BACKS WINDARRA NICKEL
PROJECT WITH US\$50M FUNDING PACKAGE**

We enclose herewith a copy of an announcement in relation to the above.

Yours faithfully



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

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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

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Shareholder Enquiries

Enquiries concerning shareholdings should be addressed to:

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P: 61 8 9323 2000

Principal Office

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SUBIACO WA 6008
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F: 61 8 9382 4760

Registered Office

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100 Railway Road
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Media Enquiries

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Porter Novelli
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Home Exchange

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

ASX Announcement

26 June 2008

**US FUND MANAGER HARBINGER CAPITAL BACKS WINDARRA NICKEL PROJECT
WITH US\$50M FUNDING PACKAGE**

Poseidon Nickel Limited (ASX:POS) is pleased to announce it has achieved a key milestone at its flagship Windarra Nickel Project after finalising a US\$50 million (A\$53 million) funding package that will enable the Company to continue the rapid development of this historic project.

Leading United States fund manager Harbinger Capital will invest US\$50 million (A\$53 million) in Poseidon by subscribing to an issue of Convertible Notes.

Poseidon Nickel Managing Director, David Singleton, said the funds will assist Poseidon in its plans to become one of Australia's largest and most profitable independent nickel producers

The Convertible Notes will be priced at a substantial premium of approximately 25% to the closing price on 25th June 2008.

The funds will be used to develop the project feasibility study, to complete the mine rehabilitation works and to continue its exploration and resource development programme.

Poseidon Nickel considers this substantial investment by one of the world's best performing investment fund managers represents a major vote of confidence in both the Company and the potential of Windarra.

Harbinger has in recent years established an unrivalled reputation as an astute early investor in emerging Australian mining companies.

Mr Singleton said "This capital raising is a milestone in the Company's development as we stride towards our goal of becoming a major West Australian nickel producer.

"The terms of the Convertible Note are, in my opinion, very advantageous to shareholders and reflect the faith vested in the Company and its management."

Mr Singleton said Harbinger's close relationship with Poseidon Nickel Chairman Andrew Forrest was the key element in securing the agreement.

Harbinger has been a long term investor in Fortescue Metals Group and has advised Poseidon that it sees similar growth opportunities through this investment.

The material terms of the convertible notes are as follows:

- capital raised USD\$50 million (AUD\$53 million);
- six year term;
- notes are convertible by Harbinger into fully paid ordinary shares at AUD\$1.00 per share;

- interest free for the first three years, and thereafter 5% per annum; and
- notes are unsecured.

The placement will be made in two tranches:

Tranche 1 The issue of convertible notes to the value of USD\$15 million will be completed within Poseidon's 15% capacity to issue securities without shareholder approval under the ASX Listing Rules directly after this announcement.

Tranche 2 The issue of convertible notes to the value of USD\$35 million will be issued subject to shareholder approval at a general meeting of Poseidon.

On conversion of the notes, Harbinger would hold a direct equity interest of approximately 25% in Poseidon on a fully diluted basis.

Recently Poseidon announced a 35% increase in JORC-compliant Indicated and Inferred resources at Windarra to 60,370 tonnes of contained nickel and began refurbishment of the Windarra decline.

The Company is currently progressing studies into a major nickel mining operation at Windarra capable of producing in the order of 20,000 tonnes of nickel per annum and has commenced exploration work on the previously unexplored 24kms strike length host, at either end, to two highly productive nickel sulphide mines.

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