

31 July 2008

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

Dear Sir

Re: QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2008

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

Mr David Singleton – MD & CEO
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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
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Media Enquiries

Mr Paul Downie
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

31 July 2008

Quarterly Report for the Period Ended 30 June 2008

HIGHLIGHTS

- Poseidon secures US\$50m (A\$53m) project funding with US Fund Manager Harbinger Capital
- Denny Bore potential mineralisation zone extended with high grade intersections
- Windarra Mine Refurbishment fully underway
- Prefeasibility and options analysis underway
- Poseidon forms JV with Eagle Eye for Waite Kauri Nickel/Cobalt project
- Exploration commences at the Menzies project

1. REVIEW OF NICKEL OPERATIONS

During the quarter, the Company 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 in two tranches. The Convertible Notes will be priced at a substantial premium of approximately 25% to the closing price on 25th June 2008.

The funding package will enable Poseidon to continue at pace the necessary work to reopen the Windarra Nickel Sulphide mine and to prepare for the necessary processing infrastructure. The three primary objectives are as follows:-

- To complete the prefeasibility study and options during the year towards meeting Poseidon's objective of producing 20,000 tonnes per annum of nickel;
- Progressing the regional exploration work on the Company's tenements including its recent high grade intersections at Denny Bore.
- Complete the underground mine rehabilitation to enable further underground drilling to support extending the Indicated resource and to prepare for mining operations.

The Company 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. 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 has been 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.

At the time of signature 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.

Poseidon has entered into a Joint Venture agreement with Eagle Eye for its Waite Kauri nickel/cobalt project which is situated approximately 56km from Windarra. The agreement provides for a 100% offtake for Poseidon. Eagle Eye has announced an initial resource of approximately 17,000 tonnes of nickel. A drilling programme with the aim of extending the region of mineralisation is currently being developed by the two companies.

This agreement follows a JV agreement with Proto Resources to jointly explore for nickel at its Menzies tenements 177km from Windarra.

During the quarter Poseidon has removed approximately 3 tonnes of nickel sulphide from Mt Windarra for metallurgical testing to support the prefeasibility study work. The material is now in Perth and is being prepared for laboratory test work in Perth.

2. EXPLORATION

2.1 Drilling Overview

During the quarter Poseidon completed 23 diamond drill holes 4802.5m and 16 RC holes for 1616m, totalling 39 holes for 6418.5m as detailed below.

Diamond drilling: 20 holes *incl* wedges for 3467.1m at Mt Windarra
2 holes for 1335.4m at Denny Bore

RC Drilling: 5 holes for 584m at Mt Windarra
2 holes for 168m at Windarra Well
9 holes for 864m on E39/930

*The significant drill intersections are listed below in **Table 1**.*

2.2 Denny Bore Drilling Programme

Drilling has continued at Denny Bore with 3 holes for 1335.4m (PND0038, PND0038A & PND0038B) being completed during the quarter. As announced on 3rd July 2003, the drilling intersected further high grade nickel sulphide ore. The intersection occurred 210m up plunge and to the south of the previously reported intersections and is an exciting step out from the previous intersections at Denny Bore (Figures 1 & 2).

Diamond drill hole **PND0038** returned **1.15m @ 2.24%** of disseminated nickel sulphide from 588.6m, and **1.18m @ 3.33%** of nickel sulphide from 595.8m, which includes a high grade stringer/massive sulphide zone of **0.32m @ 7.36%** nickel (all depths are down-hole).

WED9 is the next adjacent drill hole to PND0038, and was historically drilled 280m further south by Windarra's former owner WMC (see attached long section). WED9 returned 0.85m @ 0.97% Ni and has led to the reinterpretation of the mineralised trend direction. PND0038 intersected the mineralised zone up dip and to the south of the previously reported drill intercepts and modelling suggests that the mineralisation is north plunging. A Down Hole Electromagnetic (DHEM) survey was completed on PND0038 and reported a local in-hole anomaly associated with the sulphide intersected in the hole, as well as an off-hole anomaly which is centred above and to the south of the hole. The off-hole DHEM anomaly supports the interpretation depicted on the long section

This is an exciting result for Poseidon as it significantly increases the mineralisation potential at Denny Bore which is open in all directions. Further drilling is underway in order to test for mineralisation around and then south of PND0038.

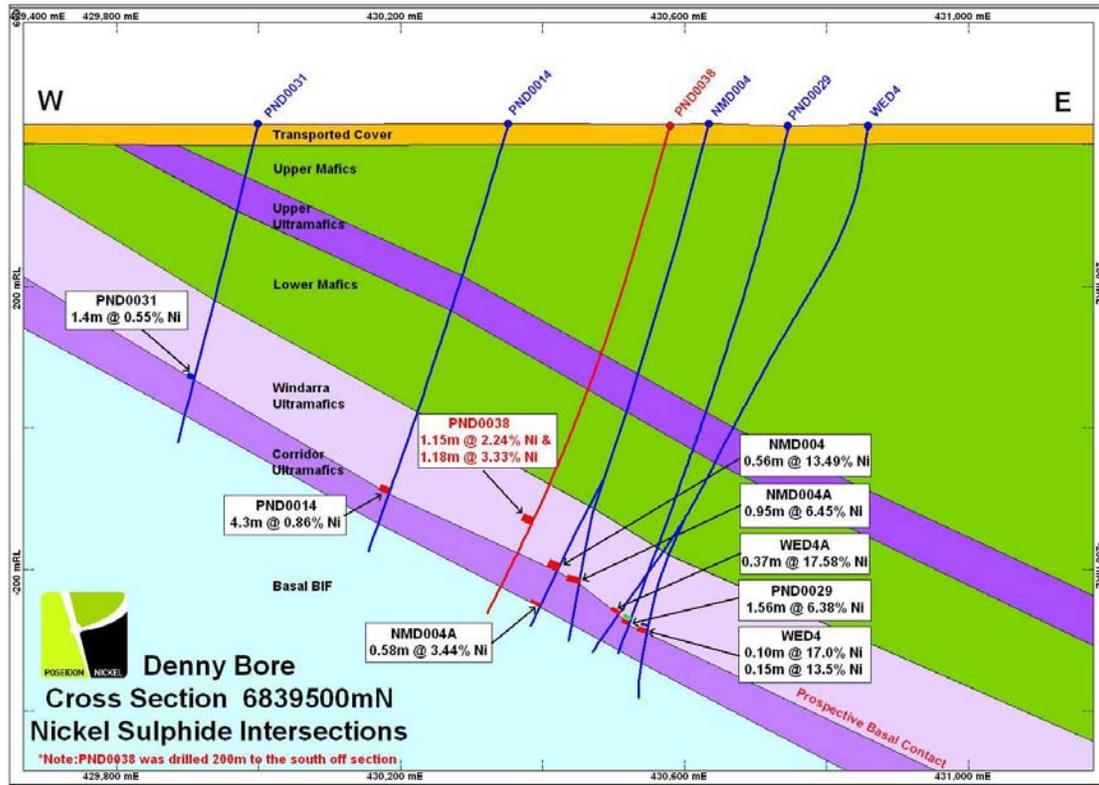


Figure 1: Denny Bore cross section.

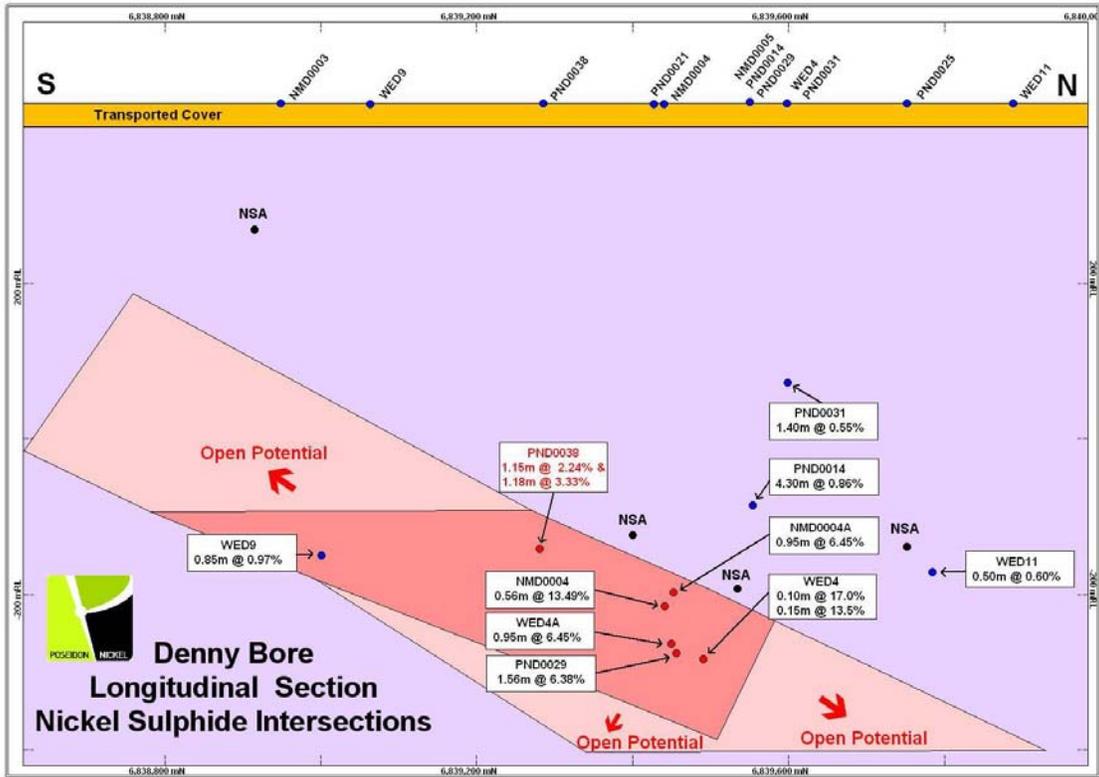


Figure 2: Denny Bore long section.

2.3 Mt Windarra Drilling Programme

3467.1m of diamond drilling was completed at Mt Windarra this quarter, and included the last of the diamond holes required to complete the A-Hanging Wall Resource drilling, as well as bulk metallurgical sampling of the Upper G-Shoot. A total of 8 holes, which included wedges, were completed for 2500.9m in the A-Hanging Wall lode. Resource modelling of this lode can now be completed and the updated resource will be added to the Mt Windarra resource inventory.

Bulk metallurgical sampling was undertaken within the Upper G-Shoot and comprised of a HQ sized parent drillhole (METG005) and 11 NQ sized daughter holes (METG005A-K) for a total of 966.2m of core.

2.4 Menzies Nickel Project

Poseidon Nickel Ltd together with its Joint Venture partner Proto Resources completed a first pass aircore drilling programme at the Menzies Project, which consisted of 24 aircore holes for a total of 393m. The majority of holes were drilled shallower than planned due to early blade refusal in shallow bedrock.

Drilling was largely focused on the Cepline Prospect (16 holes) in the north of the project where previously announced nickel laterite mineralisation was encountered in historic drilling. Lateritic nickel mineralisation (+0.5% Ni cutoff) was intersected on the western side of the Cepline prospect over a 130m north-south strike length as detailed below:

Hole ID	From (m)	To (m)	Intersection Nickel	Easting	Northing	Depth (m)
MZ0801	1	13	12m @ 1.22% Ni	315705	6711932	13
<i>incl</i>	1	2	1m @ 2.59% Ni			
&	5	6	1m @ 2.08% Ni			
MZ0811	17	26	9m @ 1.08% Ni	315713	6711849	26
<i>incl</i>	19	20	1m @ 2.56% Ni			
MZ0812	26	32	6m @ 0.90% Ni	315711	6711802	34

The lateritic mineralisation is situated in a valley, and is plunging and open to the south. The mineralisation is associated with deeply weathered ultramafic rocks which are sandwiched between more resistant felsic volcanics. The mineralised zone requires further follow up drilling with a higher capacity RC rig in order to penetrate into the bedrock and close off the mineralisation at depth as well.

In addition 8 drill holes were completed to the south of Cepline Prospect along the ultramafic belt. Due to the shallow nature of the bedrock no mineralisation was encountered. However, reconnaissance field work of the tenure has outlined extensive ultramafic rocks in the southern portion of the project which extend undercover. This area appears to be more favourable for nickel mineralisation and first pass RC drilling will be undertaken to test the bedrock below the cover material.

2.5 Waite Kauri Nickel/Cobalt Project

Poseidon Nickel Limited announced on 27 June 2008 that it has entered into a Heads of Agreement to joint venture with Eagle Eye Metals Limited (ASX:EYE) for the Waite Kauri nickel/cobalt project.

The Waite Kauri project is located 43km north east of Leonora, and approximately 50 km from Poseidon's flagship Windarra Nickel Project in the North Eastern Goldfields of Western Australia.

Eagle Eye Metals has to date completed 237 exploration drill holes at Waite Kauri, intersecting several highly significant zones of nickel oxide and cobalt mineralisation over a potential strike length of approximately 5km.

According to the terms of the Heads of Agreement with Eagle Eye, Poseidon will have an 80% interest in, and be the Manager of, the project. Poseidon has agreed to fund the first \$500,000 of exploration work necessary to bring the resource to a JORC standard.

Poseidon will, through an offtake agreement, have a right to all of the ore mined from the tenements and will pay a 2% Net Smelter Royalty for its 80% share and the prevailing market price for the remaining 20%.

3 CORPORATE

On 16 April 2008, 55,325 Fully Paid Ordinary Shares were issued in lieu of Directors fees for the quarter to March under the Director Share Plan. The shares are issued at nil consideration but have a deemed issue price of \$0.7307, based upon the volume weighted average sale price (VWAP) for the 90 days prior to the expiration of the quarter. The Company also issued 114,000 October 2012 Unlisted Employee Options in accordance with the Terms and Conditions of the Employee Share Option Scheme.

On 1 July 2008 the company cancelled 1,000,000 June 2008 Unlisted options exercisable at \$2.00 each that had lapsed.



David P.A. Singleton
CHIEF EXECUTIVE OFFICER

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.

Table 1: Significant Drill Intersections

Drill Hole Details								Intersection Summary		
Hole ID	Prospect Locations	Target Names	Hole Depth	Easting	Northing	Dip	Azimuth	From (m)	To (m)	Intersection Ni%
PND0033	Mt Windarra	A Shoot HW	411.6	425174	6848292	-62.5	259.2	348.00	357.60	9.60m @ 0.96%
PND0034	Mt Windarra	A Shoot HW	381.7	425160	6848342	-68.0	259.2	355.72	357.30	1.58m @ 1.59%
PND0034A	Mt Windarra	A Shoot HW	390.3	425160	6848342	-68.0	259.2	335.00	338.00	3.00m @ 1.03%
								344.00	348.00	4.00m @ 1.22%
PND0035	Mt Windarra	A Shoot HW	417.2	425107	6848329	-78.0	259.2	333.68	350.00	16.32m @ 0.99%
							<i>including</i>	346.00	350.00	4.00m @ 1.47%
PND0036	Mt Windarra	A Shoot HW	404.6	425107	6848320	-73	259.2	307.00	315.05	8.05m @ 1.03%
PND0037	Mt Windarra	A Shoot HW	141.1	425154	6848233	-73	259.2			Abandoned
PND0037A	Mt Windarra	A Shoot HW	435.2	425154	6848233	-66	259.2	391.90	395.35	3.45m @ 1.38%
PND0038	Denny Bore	Denny Bore	683.2	430580	6839285	-75	270	588.60	589.75	1.15m @ 2.24%
							<i>and</i>	595.80	596.98	1.18m @ 3.33%
							<i>including</i>	596.66	596.98	0.32m @ 7.36%
PND0038B	Denny Bore	Denny Bore	705.5	430580	6839285	-75	270			Assays awaiting

Note: All results are downhole not true width intersections.

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 2008

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	(3,680)	(13,054)
(b) development	-	-
(c) production	-	-
(d) administration	(232)	(2,956)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	55	516
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	84	308
Net Operating Cash Flows	(3,773)	(15,186)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(22)	(1,105)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	262
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	921
1.12 Other	-	-
Net investing cash flows	(22)	78
1.13 Total operating and investing cash flows (carried forward)	(3,795)	(15,108)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(3,795)	(15,108)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3	3,188
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	15,619	15,846
1.17	Repayment of borrowings	(14)	(46)
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	15,608	18,988
	Net increase (decrease) in cash held	11,813	3,880
1.20	Cash at beginning of quarter/year to date	2,552	10,485
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	14,365	14,365

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	102
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 15 April 2008, 55,325 ordinary shares were issued at a price of \$0.7307 per share, to the Directors in lieu of Directors Fees for the March 2008 quarter in accordance with the Terms and Conditions of the Director Share Plan. This has not been included in the above cash flow.

On 26 June 2008, the Company announced a \$53 million funding package through the issue of Convertible Notes. The first tranche has been issued with the balance to be issued subject to approval at a General Meeting of shareholders.

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	5,800
4.2 Development	-
Total	5,800

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	14,365	2,552
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	14,365	2,552

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	E38/1450	Owned	100%	50%
6.2 Interests in mining tenements acquired or increased	E38/2162	In Application	Nil	100%

+ See chapter 19 for defined terms.

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	157,323,865 5,752,200	157,323,865 5,752,200	\$0.102	\$0.002
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	55,325	55,325		
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	15,906,681	-	USD\$0.943	
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Listed	6,157,403	6,157,403	\$0.81	5 December 2009
Listed	6,157,904	6,157,904	\$0.92	5 December 2011
Unlisted	1,000,000	-	\$2.00	30 June 2008
Unlisted	1,000,000	-	\$1.96	2 July 2011
Unlisted	2,500,000	-	\$0.40	31 July 2012
Unlisted	115,000,000	-	\$0.40	19 September 2012
	533,000	-	\$1.41	22 October 2012
7.8 Issued during quarter	114,000	-	\$1.41	22 October 2012
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)				
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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: 31 July 2008

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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+ See chapter 19 for defined terms.