

QUARTERLY REPORT

31 MARCH 2013

COMPANY OVERVIEW

Poseidon Nickel has successfully completed a Definitive Feasibility Study for the Windarra Nickel Project in Western Australia and is readying financing options to complete construction and commissioning. Poseidon will be the first new nickel sulphide producer for a decade in Western Australia, one of the world's most productive and reliable nickel provinces.

The Windarra Nickel Project is on the site of a previous high quality producer and benefits from a legacy of significant infrastructure. Poseidon intends to build a new nickel concentrator to take ore from 2 mines on the tenements and produce up to 10,000 tonnes of nickel per annum and 17,000 ounces of gold. First production is planned for late 2014.

ASX CODE: POS



COMPANY HIGHLIGHTS

- Poseidon has invested approximately \$100m in drilling, engineering and refurbishment of the Windarra Nickel Project prior to commencing production planned for 2014
 - Windarra is a lower risk, large, higher grade project within an initial 10 year life
 - Project has a low capital intensity, low operating cost and will complete construction in 12 months from financing with initial concentrate deliveries expected in month 16
 - All necessary Government approvals to commence production have been received
 - Credit Suisse has been engaged to assist Poseidon in assessing financing alternatives for the Project
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- The Company announced the results of the Definitive Feasibility Study (“DFS”) for the Windarra Nickel Project (“Project”) that demonstrates robust project viability through low capital and mining costs. Highlights are below; however, please refer to the earlier announcement on the DFS for the full details on the Project.
 - **DFS results confirm the viability of the Windarra Nickel Project in Western Australia**
 - **Expected average annual production of 9,600 tonnes of contained nickel in concentrate at an average operating cost of US\$3.35/lb over initial 10 year life of mine (net of gold credits)**
 - **Additional gold processing facility estimated to produce over 45,000 ounces of gold in the first 3 years**
 - **Expected to deliver a total EBITDA of US\$1.8 billion and has an NPV of US\$546m over initial 10 year life of mine***
 - **Pre-start Project capital cost estimated at A\$197 million, comparing favourably to global capital intensity costs for the industry**
 - **First concentrate sales revenue expected 16 months after final financing**
 - **Credit Suisse has been engaged to assist Poseidon in assessing financing alternatives for the Project**
 - **Further potential for significant mine life extension beyond 10 years through near mine and regional exploration opportunities**
 - **All necessary government approvals to commence production received (subject to final financing and offtake arrangements), with Poseidon now moving to fast-track construction and financing arrangements**

- **Several major resource analysts remain positive about nickel price improvements based on fundamental supply analysis despite short term weakness.**
- The Company, who is being advised by Grant Samuel, has engaged Credit Suisse to assist in developing the various alternatives towards financing the project. Credit Suisse is a major international investment bank which recently led a successful major debt financing for Fortescue Metals Group (FMG).
- Despite the general concern over the current reduction in nickel prices, the Company remains committed to the development of the Project at the earliest possible time as the market consensus view of the longer term price outlook remains positive due to a deficit in the balance of demand and supply continually being forecast in the medium term.

OPERATIONS

- Mine Underground activity during the quarter has focused on support of the underground diamond drilling program. Decline refurbishment has now recommenced following the work to repair the 050 crusher access drive and the installation of service in that drive to facilitate a second underground diamond drilling site.

EXPLORATION - WINDARRA

- In mid-November 2012 underground drilling restarted at Mt Windarra after 20 years of mine closure with the aim of infilling and defining mineralisation at Mt Windarra in preparation for mine reserve estimation. Following the commissioning of the first underground rig and the installation of the required underground services, a second rig was implemented in mid-February to assist in the drill out of the Windarra Deeps mineralisation.
- To date 15 drill holes have successfully been completed into the Windarra Deeps mineralisation with most holes targeting more than one mineralised shoot in each hole. Analytical equipment failure in the laboratory has resulted in a delay of results, however this equipment has now been replaced. A large batch of backlogged results is being prioritised by the laboratory and results are expected in the coming days. Niton XRF sampling for estimated nickel grades is undertaken as routine practice by the onsite geologists prior to despatching samples to the lab. This gives the company insight into the anticipated nickel grades. This has been crucial during the drilling phase particularly during this delay in assay results. Results returned to date from the laboratory are tabulated below.

Hole_ID	Dip/Azi	From (m)	To (m)	Interval (m)	True Width (m)	Ni%	Comment
WUG0012	-32/245	370.58	377.63	7.05	6.01	1.39	D Shoot; Disseminated sulphide
	<i>including</i>	376.94	377.27	0.33	0.31	7.15	D Shoot; Massive sulphide base
		463.74	474.60	10.86	9.37	2.05	C Shoot; Disseminated sulphide
	<i>including</i>	465.42	471.00	5.58	4.81	2.76	C Shoot; High grade base
WUG0013	-45/248	472.00	475.72	3.72	3.10	2.02	C Shoot; Eastern Zone
		480.21	483.21	3.00	2.50	1.77	C Shoot; Western Zone
	<i>including</i>	482.17	483.21	1.04	0.87	3.47	Basal massive sulphide in Western Zone
WUG0019A	-38/270	259.97	263	3.03	1.89	1.07	G Shoot: Disseminated sulphide
WUG0020	-36/246	144.24	147.24	3.00	2.32	1.79	F Shoot; Stringer sulphide
WUG0020A	-42/244	408.00	423.75	15.75	12.00	1.67	C Shoot: Disseminated sulphide
	<i>including</i>	413.31	423.75	10.44	7.48	2.22	
WUG0021	-46/270	163.38	171.30	7.92	5.70	1.91	F Shoot; Stringer sulphide
	<i>including</i>	165.52	170.81	5.29	3.81	2.52	
WUG0023	-55/271	185.69	189.06	3.37	2.05	1.21	F Hanging-wall; Stringer sulphide
WUG0024	-40/271	149.00	160.54	11.54	8.84	1.31	
	<i>including</i>	149.00	155.00	6.00	4.60	2.00	F Hanging-wall; Stringer sulphide
		171.14	175	3.86	2.96	0.91	F Shoot; Disseminated sulphide

- During the quarter a total of 5,908m of drilling was completed which comprised 1,237m of Wassara water hammer pre-collars and 4,671m of diamond coring. The development of the Wassara pre collaring drilling system is on-going with water pump pressure and drill bit configuration trials on-going in order to establish the optimum settings to fully utilise the drilling technique. The plan was that approximately 70% of each drill hole could be drilled with the Wassara system at high advance rates to reduce overall drilling times. A steep learning curve associated with using the Wassara system in the local rock types coupled with the initial drilling rig reliability issues meant that the programme was behind schedule. The second, brand new, drill rig that is now in place is also capable of combined Wassara, diamond drilling and is reliably completing drill holes and enabling the programme to come back on schedule.

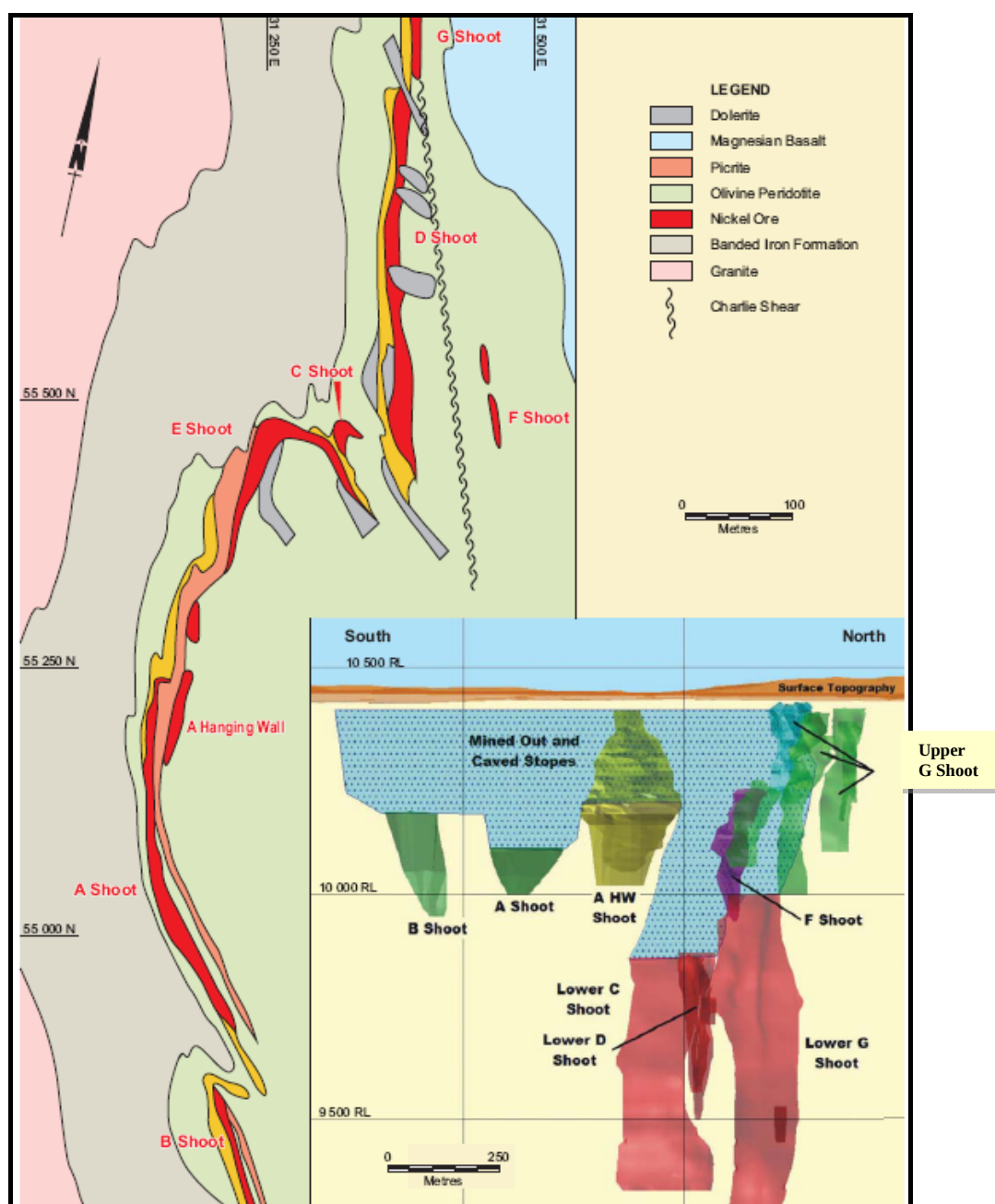


Figure 1: Mt Windarra Geology Plan and Section

CERBERUS

- A surface diamond drill rig is currently at Cerberus completing the final geotechnical HQ core holes into the proposed box-cut and decline locations. Once completed and logged the box-cut and final mine design will be completed in preparation for commencement of the development.
- Three deeper geotechnical HQ core holes will also be completed through different positions down the length of the Cerberus mineralisation for stress measurement test work and to collect further metallurgical samples.

RESERVE STATEMENT

Cerberus Nickel Project	Reserve Category - Nickel Sulphides		
	Probable		
	Tonnes	Ni% Grade	Ni Metal t
Total Sulphide	1,221,000	1.30	15,880

RESOURCE STATEMENT

Windarra Nickel Project Sulphides	Cut Off Grade	Resource Category - Nickel Sulphides								
		Indicated			Inferred			TOTAL		
		Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Mt Windarra	0.75%	974,000	1.25	12,400	2,977,000	1.88	55,900	3,951,000	1.73	68,300
South Windarra	0.80%	772,00	0.98	7,500	-	-	-	772,00	0.98	7,500
Cerberus	0.75%	2,773,000	1.25	34,600	1,778,000	1.91	34,000	4,551,000	1.51	68,600
Total Sulphide		4,519,000	1.21	54,500	4,755,000	1.89	89,900	9,274,000	1.56	144,400

Windarra Gold Tailings Project	Resource Category - Gold Tailings		
	Indicated		
	Tonnes	Grade (g/t)	Au (oz)
Total Gold Tailings	10,993,000	0.52	182,500

Windarra Nickel Tailings & Oxide Project	Cut Off Grade	Resource Category – Nickel Oxide & Tailings								
		Indicated			Inferred			TOTAL		
		Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Woodline Well	0.50%				344,000	1.25	4,300	344,000	1.25	4,300
Sth Windarra Dumps	0.00%	2,976,000	0.41	12,200				2,976,000	0.41	12,200
Central Tailings Dam	0.00%	9,602,000	0.34	32,600				9,602,000	0.34	32,600
Total Oxide		12,578,000	0.36	44,800	344,000	1.25	4,300	12,922,000	0.38	49,100

Note: The information in this report relates to Exploration Results, Mineral Resources and Ore Reserves based on information compiled by Mr N Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists, Mr I Glacken who is a Fellow of the Australasian Institute of Mining and Metallurgy as well as a full time employee of Optiro Pty Ltd and Mr D Grubic, Technical Services Manager at Rock Team Pty Ltd. Mr Hutchison and Mr Glacken have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are 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.'

Mr Grubic is a full time employee of Rock Team Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting Ore Reserves."

Mr Hutchison, Mr Glacken and Mr Grubic have 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 Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

FINANCIAL

- As at 31 March 2013, the Company had cash on hand of \$8.6 million.
- Poseidon is targeting completion of the full financing for the Project during the second quarter of 2013, subject to satisfactory market conditions.

MARKET INFORMATION

- Figure 4 and 5 below shows the underlying correlation between Poseidon's share price and the LME Nickel price and the correlation to the ASX 200 Resources index over the last 12 months.

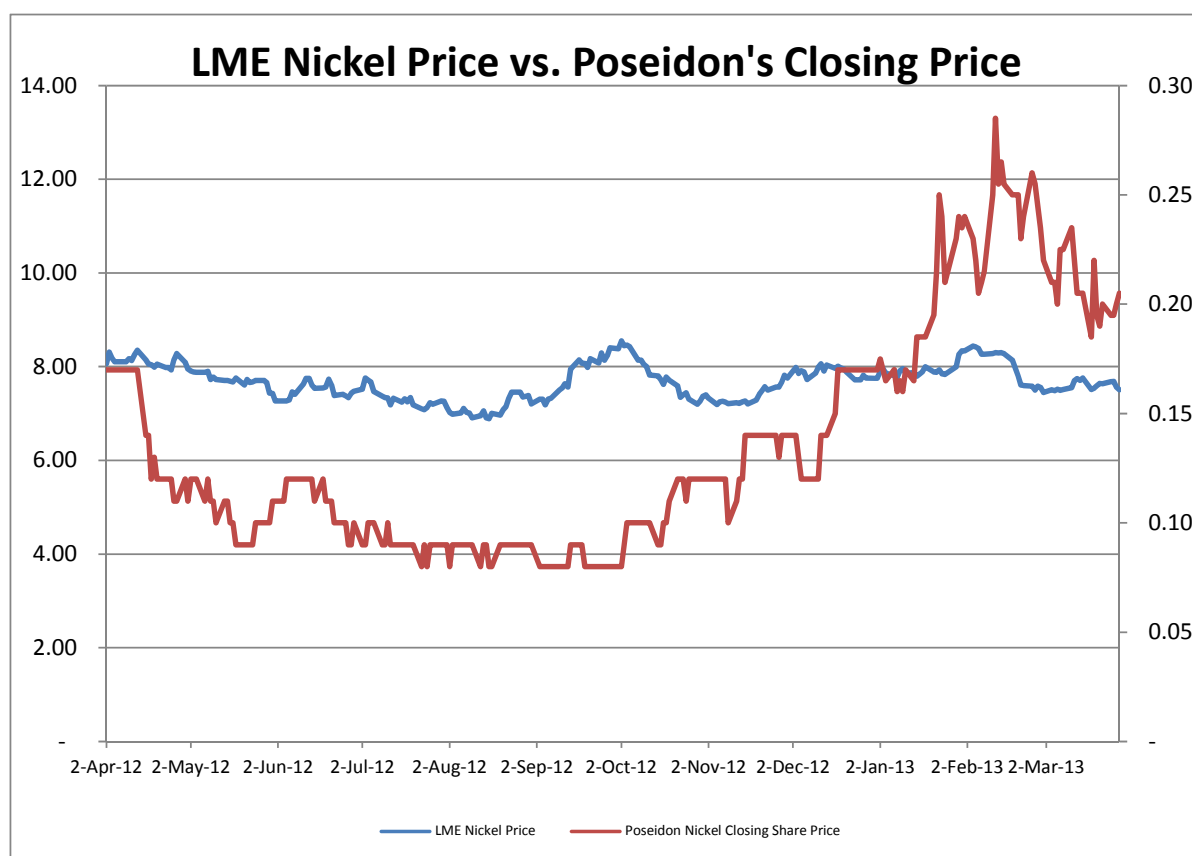


Figure 4: Poseidon share price graph compared to LME Nickel price

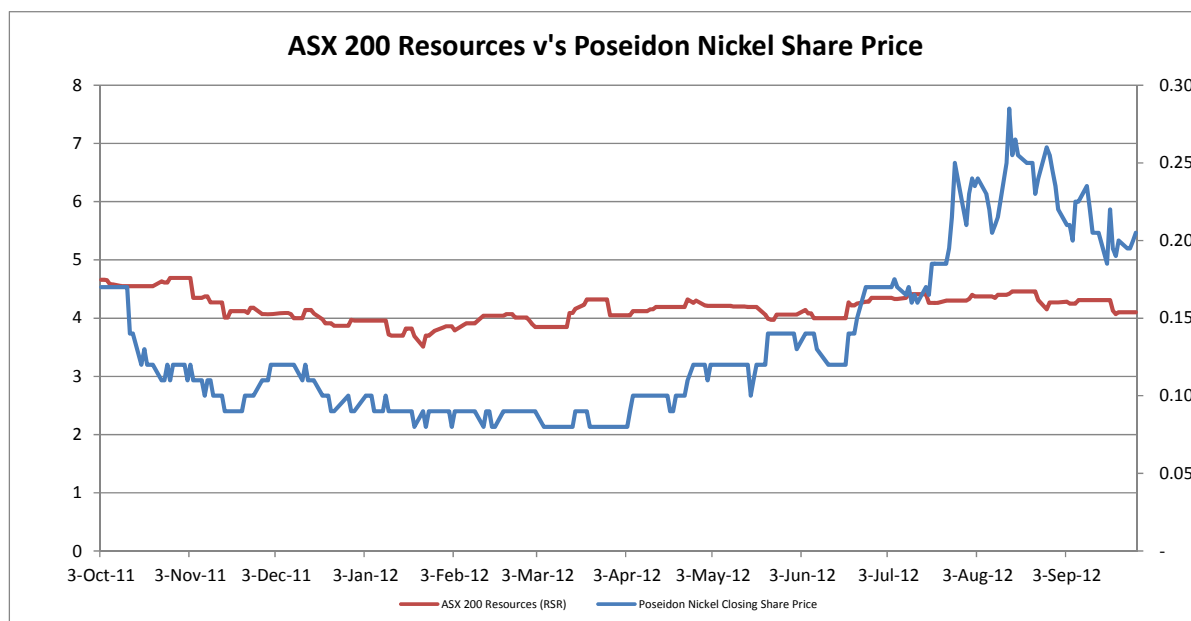


Figure 5: Poseidon share price graph compared to ASX 200 Resources index

CORPORATE

- In line with Poseidon's policy to only pay Directors fees in shares in order to retain the cash reserves of the Company, 493,783 Fully Paid Ordinary Shares were issued in lieu of Directors fees for the quarter to December under the terms of the Director Share Plan. The shares were issued on 7 January 2013 at a deemed issue price of \$0.1389, based upon the volume weighted average sale price ("VWAP") for the 91 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 and was approved by shareholders at the Annual General Meeting held on 21 November 2012.

David P.A. Singleton
Managing Director & CEO

30 April 2013

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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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Media Enquiries

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Home Exchange

The Company's shares are listed
on the Australian Securities 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, 01/06/2010.

Name of entity

Poseidon Nickel Limited

ABN

60 060 525 206

Quarter ended ("current quarter")

31 March 2013

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
(a)	exploration and evaluation	(2,767)	(9,746)
(b)	development	-	-
(c)	production	-	-
(d)	administration	(677)	(2,571)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	79	408
1.5	Interest and other costs of finance paid	(495)	(939)
1.6	Income taxes paid	-	-
1.7	Other - sundry income	74	162
Net Operating Cash Flows		(3,786)	(12,686)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
(a)	prospects	-	-
(b)	equity investments	-	-
(c)	other fixed assets	(125)	(795)
1.9	Proceeds from sale of:		
(a)	prospects	-	-
(b)	equity investments	-	1,640
(c)	other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – costs re sale of equity investments	-	(59)
Net investing cash flows		(125)	786
1.13	Total operating and investing cash flows (carried forward)	(125)	(11,900)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,911)	(11,900)
	Cash flows related to financing activities		
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	-	-
1.18	Dividends paid	-	-
1.19	Other – borrowing costs paid	-	(120)
	Net financing cash flows	-	(120)
	Net increase (decrease) in cash held	(3,911)	(12,020)
1.20	Cash at beginning of quarter/year to date	12,473	20,582
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	8,562	8,562

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	133
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 7 January 2013, 493,783 ordinary shares were issued at a price of \$0.1389 per share as approved by the Shareholders at the November 2012 Annual General Meeting. The shares were issued to the Non-Executive Directors in lieu of Directors Fees for the December 2012 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

Financing facilities available

+ See chapter 19 for defined terms.

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	43,103	43,103
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,200
4.2 Development	-
4.3 Production	-
4.4 Administration	800
Total	4,000

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	8,556	12,467
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other – Term Deposits	6	6
Total: cash at end of quarter (item 1.22)	8,562	12,473

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	L39/221	Granted	Nil	100%

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 (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	408,941,241	408,941,241		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	493,783	493,783		
7.5	*Convertible debt securities <i>Unsecured</i>	36,531,904 This is an estimate only based on an average exchange rate of 1.0265.	-	\$0.40	The Notes have a March 2011 six year term convertible into fully paid ordinary shares.
		64,945,608 This is an estimate only based on an average exchange rate of 1.0265.	-	\$0.30	The Notes have a March 2011 six year term convertible into fully paid ordinary shares.
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>Unlisted</i> <i>Unlisted</i>	2,975,000 4,500,000	- -	<i>Exercise price</i> \$0.22 \$0.22	<i>Expiry date</i> 31 August 2016 23 November 2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				

+ 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: 30 April 2013

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.