

# Poseidon Nickel Limited

ABN 60 060 525 206

Unit 8, Level 1, Churchill Court  
331-335 Hay Street  
Subiaco WA 6008  
PO Box 190  
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Tel: +61 8 9382 8799  
Fax: +61 8 9382 4760

31 July 2007

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

Dear Sir

**RE: QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2007**

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

Yours faithfully



**David P.A. Singleton**  
CHIEF EXECUTIVE OFFICER

Enc

## **CORPORATE DIRECTORY**

### **Director / Senior Management**

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

### **Corporate Enquiries**

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P: 61 8 9382 8799  
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E: [davids@poseidon-nickel.com.au](mailto:davids@poseidon-nickel.com.au)

### **Media Enquiries**

Mr David Griffiths – Gryphon Management  
P: 61 8 9382 8300  
F: 61 8 9381 2349  
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E: [david.griffiths@gryphon.net.au](mailto:david.griffiths@gryphon.net.au)

### **Shareholder Enquiries**

Enquiries concerning shareholdings should be addressed to:

Computershare Investor Securities  
GPO Box D182, Perth WA 6840  
Tel: 61 8 9323 2000

### **Registered Office**

Level 1, South Mill Centre  
9 Bowman Street  
South Perth WA 6151  
Tel: 61 8 9367 8133  
Fax: 61 8 9367 8812

### **Principal Office**

Unit 8, Level 1 Churchill Court  
331-335 Hay Street  
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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

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ASX Announcement

31 July 2007

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## Quarterly Report for the period ending 30 June 2007

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### HIGHLIGHTS

- Company reorganisation, the appointment of a new senior leadership team and key operational personnel. Change of name to Poseidon Nickel Limited
- Long term diamond drilling contracts secured
- Reverse Circulation drilling contract secured for Oxide/Heap Leach project
- Rapid progress towards recommencing operations at the Mt. Windarra mine.
- Expansion of ground holding through the acquisition of 400 km<sup>2</sup> further tenements at the Windarra project
- Equity earned in Ghana JV project

### 1) EXECUTIVE SUMMARY

I am pleased to be reporting to you for the first time as the CEO of the newly named Poseidon Nickel Company. As is reported in detail later in the report, a newly constituted board of highly experienced and capable non-executives have been assembled together with a broad and experienced executive management group who are focussed on growing the Company.

The strategy is to turn Poseidon into a significant Nickel producer as quickly as possible. To that end we will conduct an extensive exploration programme along the Companies' acreage using the most modern technology available to us, to further develop the historic Windarra Assets. At the time of writing this report, we have already taken significant steps in this regard with the commitment to 3 modern diamond drill rigs and one Reverse Circulation (RC) rig which we expect to be working on the site by the end of the next quarter. This represents a major enhancement to our exploration capability and is being matched by the recruitment of additional geological staff.

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Our initial focus will be in two prospective areas that the Company believes offers the best opportunity for early production. The first of these is the existing resource identified by WMC around and beneath the decline at Mt Windarra. At the time of mine closure WMC reported that approximately 54.4K tonnes of Nickel in Ore existed on the site as a whole, although this was not to a JORC standard. The diamond drill exploration activities will be focussed initially on proving and extending these resources. At this stage we have been advised that the necessary permitting to allow us to dewater, enter and rehabilitate the mine will be received in October 2007. The operational facilities to undertake this work are already in place.

The second area of focus will be the potential to heap leach Nickel from the on and near surface, oxide ores on the site. We are reviewing the potential to take the already completed laboratory analysis, previously reported, into a pilot test facility. In parallel, we will use the RC rig to prove up the total size of the resource base to check the viability of a multi-year project. This project will be pursued if exploration identifies a significant multi-year resource base and can be developed with a Nickel cost of \$5lb or less.

## **2) REVIEW OF NICKEL OPERATIONS**

### **NICKEL**

The Company advanced all of its key projects over the past quarter with a key milestone being the ratification of the 'Variation Agreement' through Sate Parliament for the transfer of the Poseidon Nickel Agreement Act 1971. This completes the transfer process of the Windarra Nickel Project (WNP) from BHP Billiton (formerly WMC Resources) to Niagara Mining Limited.

The Company also announced to the ASX on 23<sup>rd</sup> July that it has acquired further tenements at the Windarra project which has significantly expanded and consolidated the Company's ground position (Figure 1).

As well as having substantial potential to hold nickel mineralisation, the increased land position ties together Niagara's current ground holdings and gives the Company further flexibility for the placement of infrastructure for any future mining and processing development. The additional 400km<sup>2</sup> to be acquired will increase the Company's land holding at Windarra four-fold.

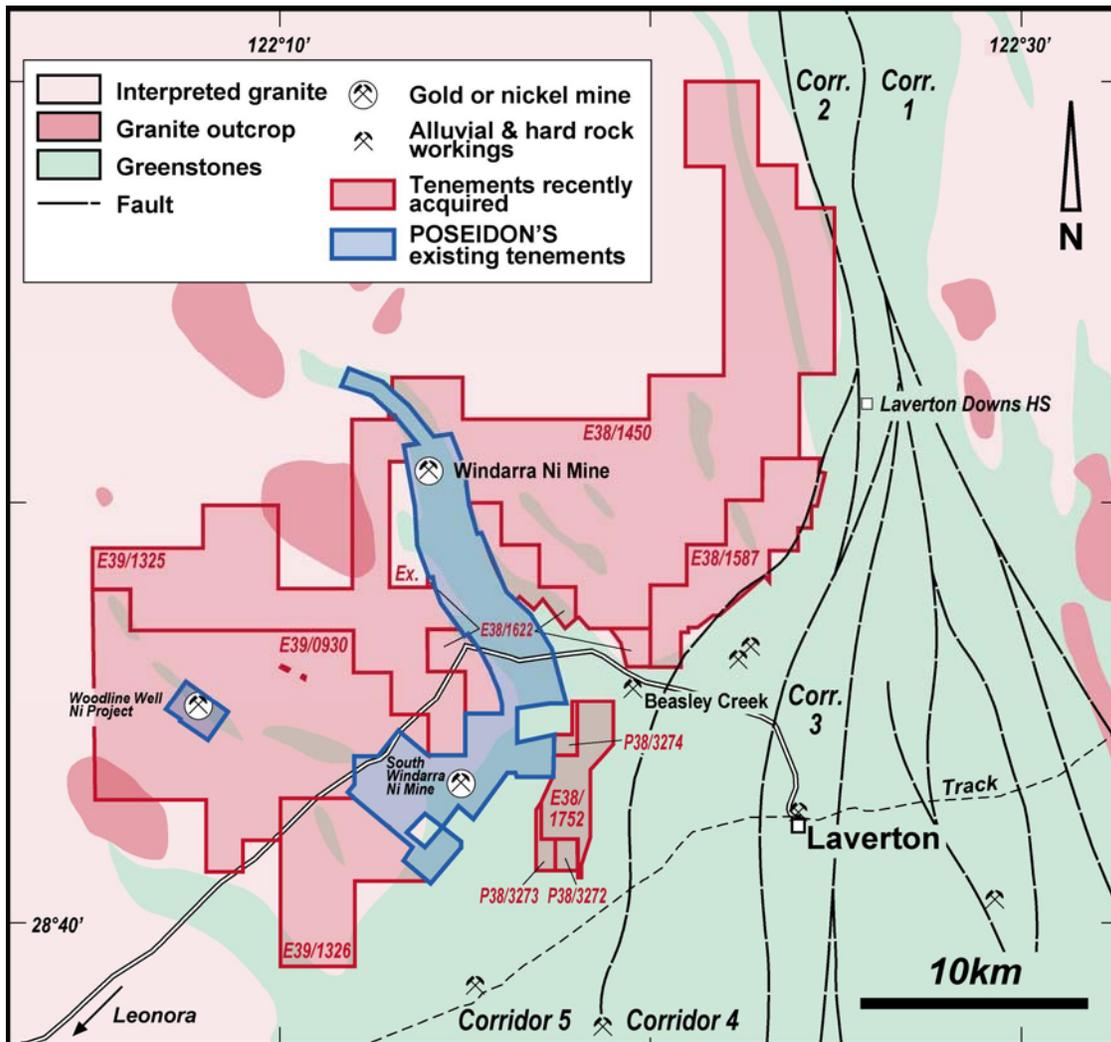
Under the terms of agreements with Dynasty Metals Australia Ltd and Tyson Resources Pty Ltd, Niagara will allot \$400,000 of Niagara shares and pay \$6,500 in cash for the acquisition of ten exploration licences and prospecting licences.

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The agreements are subject to a number of conditions including Due Diligence, all necessary shareholder, regulatory and government consents and approvals and consent from parties holding residual rights to the tenements.



### **3) Windarra Nickel Project (WNP) Exploration.**

This quarter has been a transition phase between the original Niagara Mining exploration group, and the newly formed Poseidon Nickel exploration team. Due to the restructure, the rate of drilling was scaled back to one drill rig for the quarter, whilst data compilation, project reviews and management and procedural changes were undertaken.

With the new exploration management comes a new geological model for the Windarra Nickel Belt, which looks at the old WMC data in a different light. It has been nearly 20 years since this belt was last explored, and modern understanding of the formation of nickel sulphides within komatiitic lava fields will help change the way in which nickel sulphides will be targeted at the WNP. Knowledge will be drawn from geological breakthroughs at the Cosmos and Kambalda nickel belts. These belts have seen substantial high grade nickel discoveries by companies such as Jubilee Mines at the Cosmos Nickel Project, and from numerous companies exploring the old WMC nickel tenures at Kambalda and Forrestania.

By looking at the Windarra belt with a new set of eyes and utilising modern 3D software and geophysical tools such as DHEM (down hole electro-magnetics), which weren't available when WMC was exploring the ground, the management team at Poseidon Nickel are confident that the Company can locate high grade nickel sulphide-bearing, komatiite lava channels within the WNP area.

Long term drilling contracts have been secured with Apex Drilling and Westcore Drilling, in a difficult supply market where drill rigs are hard to source. This will see 3 diamond drill rigs delivered to site, with the opportunity for Poseidon Nickel to be supplied with 2 additional rigs within 12 months time, or as required. Diamond drilling will focus on defining and enhancing the known resources around the Mt Windarra Mining operations as well as establishing new resources within the vicinity of the underground operations. Drilling will also target oxide and sulphide mineralisation at South Windarra, as well as continuing to test the highly prospective Denny Bore prospect over the coming periods.

A small agile and very versatile track mounted Reverse Circulation (RC) grade control drill rig has also been sourced from VM Drilling, and pending the finalisation of contractual arrangements, is due to start around mid August. The RC rig will be utilised to test the near surface oxide mineralisation at Mt Windarra, and to grade control drill the South Windarra heap leachable oxide stockpiles. A resource model of the South Windarra oxide resources can then be established in order to progress the proposed Nickel Heap Leach Project.

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Exploration for the next 6 months will concentrate on confirming and defining the underground resources at the Windarra Mine, and bringing them into JORC compliant reserves. Additional near mine exploration based on the new geological model will also start once a detailed understanding of the current deposits is established.

#### **4) WNP Drill Results**

Results and interpretation of last year's full surface TEM (transient electromagnetic) surveys carried out at the Windarra Nickel Project (WNP) were received from Southern Geoscience Consultants (SGC) and released to the ASX during the first quarter of 2007.

The surface TEM survey tested 10km of strike of the prospective Windarra Komatiite which is the host rock unit to both the South Windarra and Mt Windarra nickel sulphide mines previously operated by WMC Resources between 1972-1991.

Drilling of the identified surface TEM anomalies was ongoing through the quarter (Figure 2) to determine whether the anomalies were generated by nickeliferous sulphides or other conductive sources. Drilling intersected non-nickeliferous sulphides in a number of holes. However, as these are the first holes drilled into the regional prospects, detailed analysis of the DHEM (down hole electromagnetics), as well as geochemistry and geological data generated from the drilling, needs to be fully assessed to determine the regional prospectivity of these targets (Table 1).

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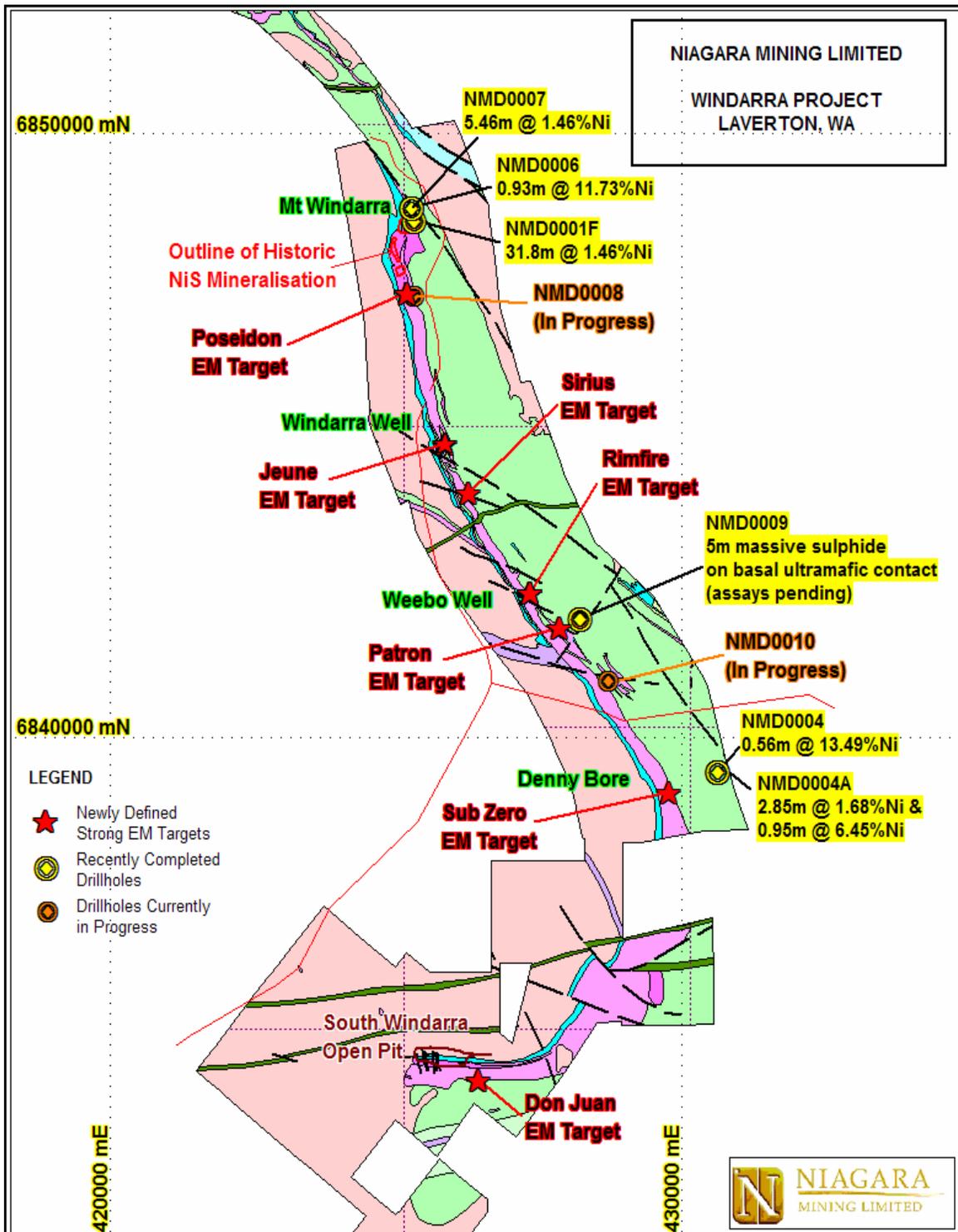


Figure 2: Prospect and drill hole location plan with geology.

## **5) South Windarra**

Work on the development of the proposed Nickel Heap Leach Project at South Windarra has continued. As noted previously, it is proposed to commence the project with a 150,000 tonne pilot leach pad with the opportunity to expand as the operational techniques and available ore resources are refined. With the help of consultants the necessary submissions are being drafted for the required statutory approvals necessary for the project to proceed. It is expected this approval process will take 6 to 7 months during which time full design, planning works and a detailed economic evaluation for the project will be finalised. This project has not yet been authorised by the Board.

## **6) Denny Bore (Sub-Zero)**

Denny Bore was previously discovered by WMC with kilometre spaced diamond holes, which intersected encouraging nickel intercepts (WED4). Niagara completed surface EM and down-hole TEM of the former WMC holes and identified robust EM conductors.

WED4a and NMD0004 were drilled by Niagara Mining in June 2006 and February 2007 respectively, and massive nickel sulphides were intersected in an area of previously limited exploration (Figure 3). The following assays were returned;

**WED4a**      **0.37m @ 17.58% Ni** from 794.80 (down-hole)

**NMD0004**    **0.56m @ 13.49% Ni** from 666.48 (down-hole)

A follow up wedge hole NMD0004a was completed off the parent hole, and the following results were announced by the Company to the ASX on the 14th May 2007;

**NMD0004A** **2.85m @ 1.68% Ni**, from 657.0m (down-hole)  
**0.95m @ 6.45% Ni** from 664.5m (down-hole)

The nickel sulphides for these intersections are associated with thin, massive pyrrhotite-pyrite-pentlandite lenses within talc-carbonated altered ultramafics. DHEM surveys carried out by Niagara Mining in holes NMD0004 and 4A indicate the presence of up-dip conductor plates, which remain to be drill tested. The result is believed to be approximate true width.

Drill Hole Details								Intersection Summary			
Hole ID	Prospect Locations	Target Names	Hole Depth	Easting	Northing	Dip	Azimuth	From	To	Intersection	
NMD0004a *	Denny Bore	Sub Zero	756.2	429875	6838950	-64	275	657.00	659.85	2.85m @ 1.68% Ni	
								664.50	665.45	0.95m @ 6.45% Ni	
NMD0005 *	Denny Bore	Sub Zero	784.8	430675	6839300	-72	266	721.44	721.58	0.14m @0.81% Ni	
NMD0006	Mt Windarra	G Shoot	286.0	425285	6848782	-60	255	140.60	147.26	6.66m @ 2.70% Ni	
								<b>incl</b>	<b>144.30</b>	<b>145.23</b>	<b>0.93m @ 11.73% Ni</b>
								178.00	189.00	11.0m @ 1.14% Ni	
NMD0007	Mt Windarra	G Shoot	318.4	425288	6848782	-61	266	148.50	151.50	3.0 m @ 1.27 % Ni	
								163.09	164.51	1.42m @ 1.34 % Ni	
								<b>incl</b>	<b>164.29</b>	<b>164.51</b>	<b>0.22m @ 7.06% Ni</b>
NMD0008	Mt Windarra	Poseidon	300.5	425279	6847322	-57.5	270			No Significant Assays	
NMD0009	Weebo Well	Patron	325.0	427950	6841975	-70	240			No Significant Assays	
NMD0010	Weebo Well	Discovery Gossan	300.0	428725	6840925	-60	230			No Significant Assays	
NMD0011	Windarra Well	Jeune	350.0	426075	6844675	-65	230			No Significant Assays	
NMD0012	Weebo Well	Patron	350.0	428120	6841800	-70	240			No Significant Assays	
NMD0013	Mt Windarra	G Shoot	300.0	425274	6848785	-60	259	121.50	126.70	5.2m @ 1.26 % Ni	
								<b>incl</b>	<b>124.00</b>	<b>124.40</b>	<b>0.4m @6.63% Ni</b>
								139.40	140.40	1m @ 0.684 % Ni	
								143.40	149.70	6.3m @ 1.32 % Ni	
								<b>incl</b>	<b>145.50</b>	<b>147.20</b>	<b>1.7m @ 2.63% Ni</b>
NMD0014	Weebo Well	Rimfire	350.0	427450	6842470	-70	235			Awaiting Assays	
NMD0015	Windarra Well Sth	Sirius	350.0	426425	6844100	-60	255			Awaiting Assays	
NMD0016	Windarra Well	Jeune	425.0	426075	6844875	-60	270			Awaiting Assays	
METG001	Mt Windarra	G Shoot	240.0	425272	6848795	-50	260			Awaiting Assays	

\* Denotes: Drilled last quarter, Assays received this quarter

Note: All results are downhole not true width intersections.

Length weighted average calculations with an average SG of 3.0 have been used.

Table 1: Drill Results

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Drill hole NMD0005 was completed to the north and west of NMD0004, and the following results were returned;

**NMD0005    0.14m @ 0.81% Ni** from 721.44m (downhole)

DHEM survey results and geological modelling indicate that the central section of the conductor has not been intersected. The interpretation suggests that the source is centred away from the current area of drilling, and that step out DHEM platform holes are required to locate the core of the mineralized system. The Company believes that the intersections are part of a larger massive nickel sulphide zone which should be situated in close proximity within the komatiite lava channel.

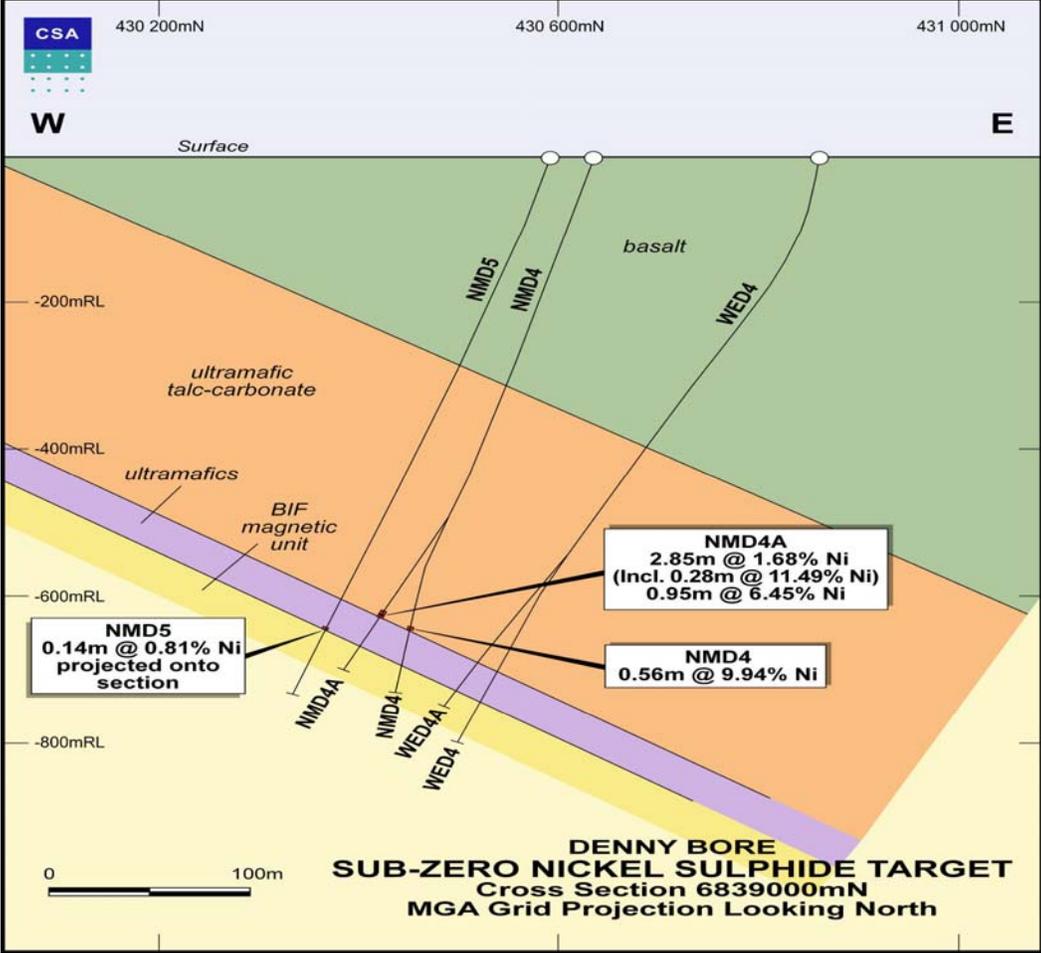
It is expected that these intersections are indicative of a new high tenor nickel sulphide system at the WNP, and is distinct from previous discoveries made at Mt Windarra by Poseidon NL and at South Windarra by the Hanna/Homestake/Union Oil JV during the nickel boom in the late 1960's.

Further drilling will be undertaken later in the year to target the mineralization at Denny Bore.

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**Figure 3:** Denny Bore-Sub Zero Prospect Drill Section

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## **7) Woodline Well Nickel Project**

PL 39/4493, PL39/4494, PL39/4495 (100%)

The Company informed shareholders and the ASX on the 19<sup>th</sup> March 2007 that it had acquired the Woodline Well Nickel Project from Perilya Limited, located approximately 10km west of the Windarra Nickel Project (Figure 4). The transaction with Perilya compliments the company's exploration and development strategy for the Windarra district.

The acquisition of the additional tenements at the Windarra project has significantly expanded and consolidated the Company's ground position surrounding the Woodline Well and Windarra Projects. The acquisition has increased the length of the Woodline Well ultramafic trend five-fold (from 2.5km to ~13km strike length), and therefore the potential for the tenements to hold nickel mineralisation has substantially increased.

Perilya has also examined data on the zinc and base metal prospectivity of the Windarra Project area with a view of a possible JV arrangement, and negotiations are currently being conducted.

Significant nickel values were returned from the project area, in drilling by previous explorers, from a disseminated pentlandite–violarite–pyrrhotite mineral suite within a black, serpentinised olivine peridotite.

Drilling intersected 3.1m at 2.3% nickel from 12.2m and 6.1m at 3.0% nickel (including 1.5m at 3.9% nickel) from 18.3m in percussion hole PDH1 and 0.9m at 4.3% nickel (including 0.15m at 7.2% nickel) from 59.7m in diamond hole DDH1 (Figure 5).

The Company believes that the komatiite sequence at Woodline Well possesses very high potential for hosting accumulations of oxide and massive nickel sulphides similar in style to, but smaller than, Mt Windarra and South Windarra.

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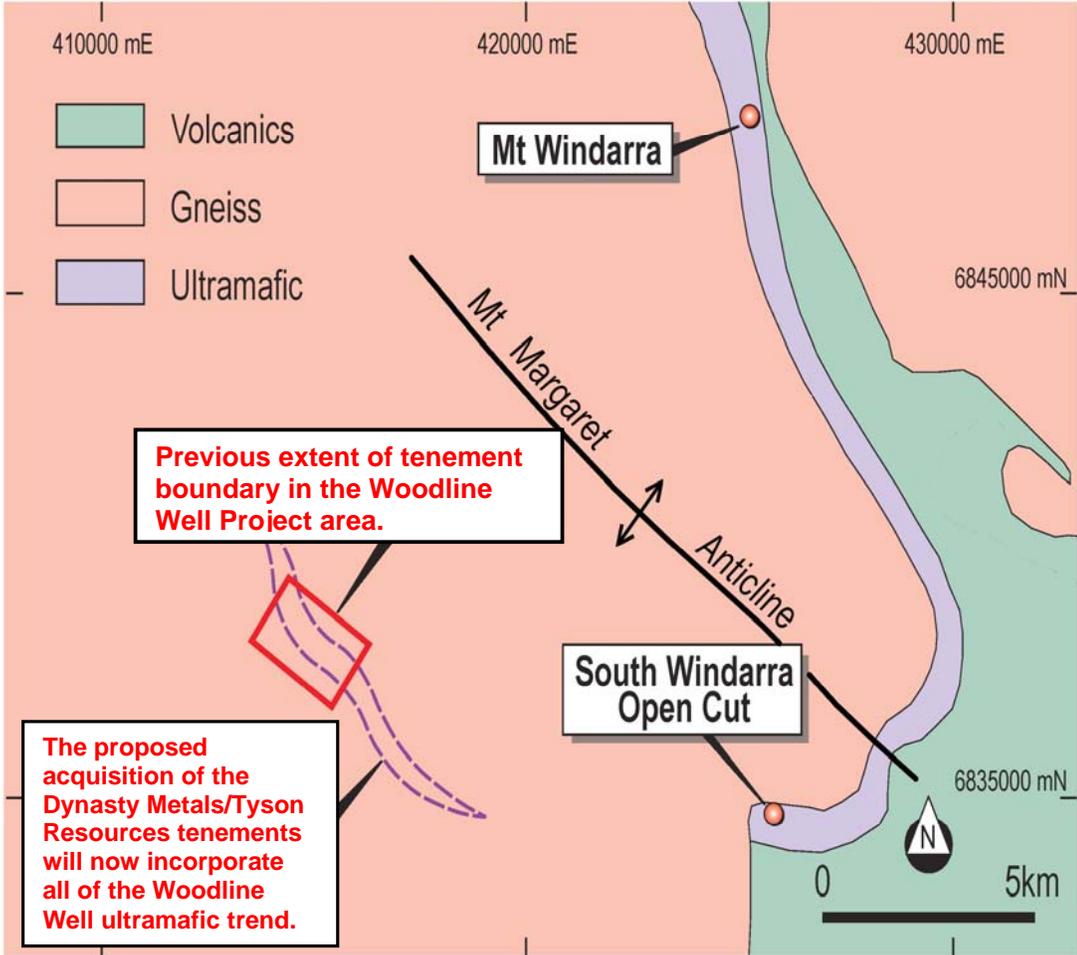
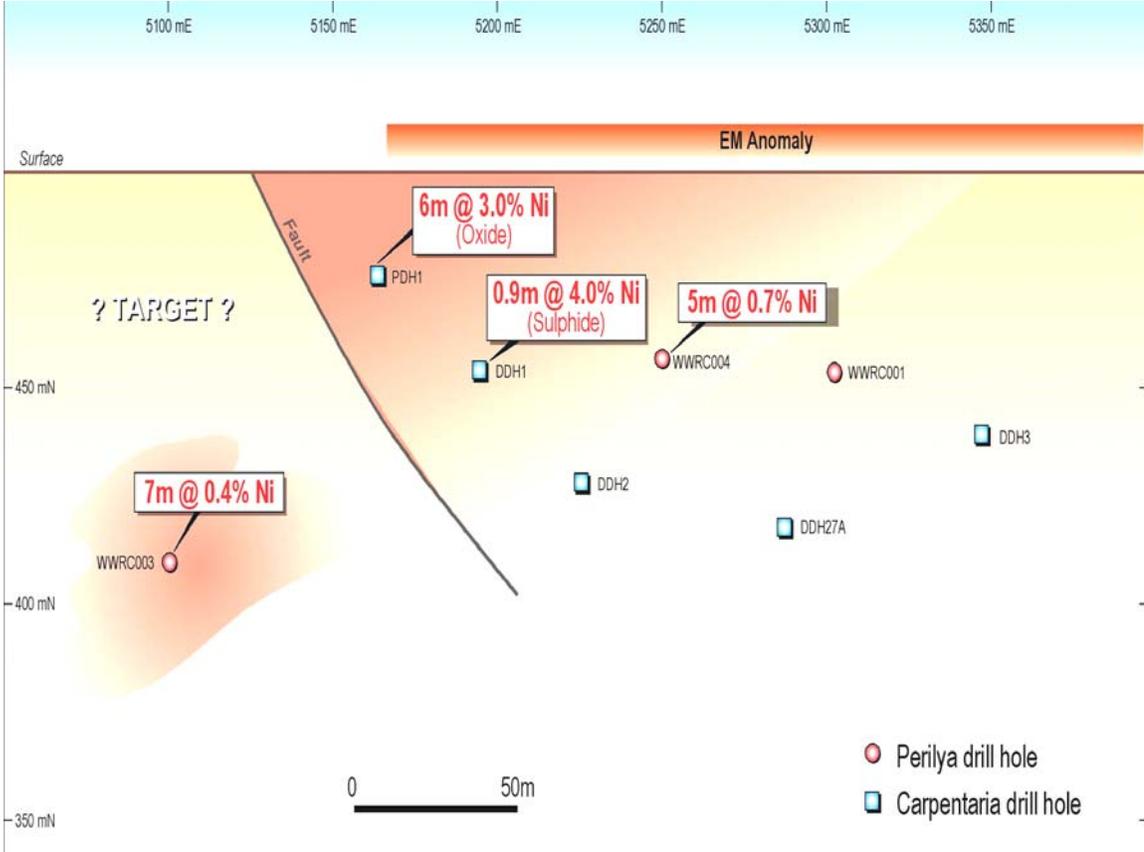


Figure 4. Woodline Well Geological Setting and tenement outline

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**Figure 5.** Woodline Well drill long section, looking northeast.

## **8) Windarra Nickel Project, Underground Operations**

Notification was received from DoIR during the quarter that the Project Management Plan for the re-opening of the Mt Windarra underground mine has been accepted. This being one of several key approvals required to enable underground refurbishment works to commence.

With a mining contractor and equipment now in place, preparations to enable the commencement of the works to rehabilitate the 550 Decline have progressed with the reticulation of power and other services to the portal. In addition a ventilation fan is being installed and road base is being crushed and stockpiled. The necessary statutory approvals, to enable dewatering of the mine, were applied for in June and when received, the underground remediation works will commence.

Electrical and operating supervisors with both surface and underground mining experience have also been successfully recruited in what is currently a difficult employment climate and are in place to ensure an immediate start to works following approval.

## **9) GOLD**

### **Salman South and Mame Gold Projects, Ghana West Africa**

PI No. 25639

The Company has earned its interest in both the Salman South Gold Project and the Mame Gold Project, located in Ghana West Africa (Niagara 90%). The current owners of the project, Sanu Resources Ghana Ltd, are currently in the process of transferring the titles into the joint venture company which is controlled by Niagara Mining.

A field visit has been completed to the Ghanaian projects by the new exploration management of Poseidon Nickel to validate the drill intersections and meet the people associated with the project in Ghana. RSG Global, who are a well renowned Australian project management company, have an office in Accra, Ghana and will continue to manage the project on behalf of the Company.

Results from a combined RC and RAB drilling program were reported to the ASX on 27<sup>th</sup> March 2007, and highlights from the project are detailed below;

The initial "Phase 1" exploration program was completed at the start of March under the guidance of our consultants RSG Global. Drill results returned include;

**SSRC004    1m @ 6.80g/t, 4m @ 4.66g/t, and 12m @ 2.04g/t gold.**

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A total of 3,201m of RC drilling has been completed in the **Salman South Project** to initially test the southern extensions of the Adamus Resources Salman Deposit. The RC drilling stepped out on 100m lines across the Salman shear zone and coincident Au in Soil anomaly. This anomaly can be traced over 3.5km to the south of which 1km has been tested during this phase of drilling.

An additional 3,768m of RAB drilling was completed on the **Mame Prospect** to the southeast where significant artisan workers have been mining the alluvial gravels. The colonial Mame underground mine was operated here in the early 1900's although no production records are available. Most significant of this drilling are holes MARB070 and MARB100 (500m apart) which returned significant intercepts coincident to the strike of the Au in soil anomaly as detailed below;

<b>MARB020</b>	<b>4m @ 4.66g/t gold</b>
<b>MARB070</b>	<b>12m @ 1.29g/t gold</b>
<b>MARB100</b>	<b>12m @ 2.04g/t gold</b>
<b>MARB104</b>	<b>15m @ 1.16g/t gold</b>

## **10) COMPANY REORGANISATION**

The Company held a General Meeting of Shareholders on 2<sup>nd</sup> July where all Resolutions were passed. These Resolutions included the appointments to the board of Andrew Forrest as Non-Executive Chairman and Christopher Indermaur as Non-Executive Director. This is in addition to the appointment in April 2007 of Richard Monti as Non-Executive Director.

Mr Forrest has been the Chief Executive Officer of the Fortescue Metals Group Ltd since April 2003 and has extensive experience in the mining sector, with specific expertise in major project finance. Fortescue has grown to its current market cap of over A\$10bn under his leadership, challenging the dominance of the multi-nationals in the Pilbara and constructing new port and railway systems in the process. In creating the company he led the initial \$400 million raising for feasibility studies and exploration, then \$3.2 billion raised in 2006 to launch full construction and more recently \$500 million to platform Fortescue for expansion. Among other awards he has received the Australian Centenary Medal and the Australian Sports medal as well as multiple global "Deal of the Year" awards. Mr Forrest is a long-standing fellow of the Australian Institute of Mining and Metallurgy.

Chris Indermaur was the Engineering and Contracts Manager for Queensland Nickel ("QNI") at Yabulu, and was subsequently Commercial Manager and Company Secretary at Queensland Alumina ("QAL") at Gladstone and until recently, the Executive General Manager for Strategy and Development for Alinta Ltd.

Richard Monti is a highly experienced geologist and has previously worked with Andrew Forrest as Head of Exploration and Geology. He was later appointed as Head of Marketing of the Murrin Murrin Nickel Cobalt operation. Richard also has extensive experience on other significant projects.

Also announced at this time were the resignations of Douglas Daws as Executive Chairman and Chris Daws as CEO/Managing Director. The Company wishes to thank them both for the valuable contributions they have made during their tenure.

The Company also announced the appointment of David Singleton to the role of Chief Executive Officer with the immediate take up of the role after the shareholder meeting. David was the CEO and MD of Clough Limited between August 2003 and January 2007. Prior to that he was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems (formally British Aerospace) in London and prior to that the CEO of Alenia Marconi Systems and was based in Rome, Italy.

The Company announced to the ASX on the 12<sup>th</sup> June the appointment of key operational personnel. These appointments are a key step in bringing the

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appropriate industry expertise and invaluable experience to a newly created management team.

Robert Dennis has been appointed to the role of Chief Operating Officer. Rob is a highly skilled Mining Engineer and a Fellow of the Australian Institute of Mining and Metallurgy with 30 years experience in the nickel, copper, gold industries and has been responsible for the development of several major nickel, gold and copper projects over recent years.

Rob was up until recently the Chief Operating Officer for the Nifty Copper Operations (Aditya Birla Minerals Pty Ltd) and has held various engineering management roles with LionOre Australia Pty Ltd, Normandy Mining Limited, Great Central Mines Limited, Wiluna Mines Limited and NABALCO.

Rob is a former Chief Mining Engineer – WMC Group and has previously worked as Underground Manager for the Windarra Nickel Project from 1980 through to 1986. During this time Rob returned the Mt Windarra Nickel Mine to production following two years of care and maintenance at a time of low nickel prices.

Also announced was the appointment of Neil Hutchison to the role of General Manager – Geology. Neil is a highly skilled nickel Exploration Geologist and a Member of the Australian Institute of Geoscientists. Neil has practical experience and a working knowledge of nickel and gold exploration in the north-eastern goldfields region of Western Australia.

Until recently, Neil was the Exploration Superintendent for the Cosmos Nickel Project (Jubilee Mines NL) and has held senior management roles with Jubilee Mines, Troy Resources and Pegasus Gold during his 15 years in the mining industry.

With Rob's understanding of the WNP environment and Neil's knowledge of the nickel forming process and associated exploration methods, combined with their high level management skills, the appointments will be an invaluable asset to the Company as it pursues the re-development of one of Australia's iconic nickel mines.

## **11) CORPORATE**

The Company also announced to the ASX on the 2<sup>nd</sup> July that the reorganisation of capital would become effective on 4<sup>th</sup> July by way of consolidating every two ordinary fully paid shares in the capital of the Company into one fully paid ordinary share.

Options expiring 5<sup>th</sup> December 2009 and 5<sup>th</sup> December 2011 will be similarly reconstructed with an exercise price of 81 cents and 92 cents respectively.

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3,082,500 shares issued to Holders of Partly Paid Shares were converted contributing capital of \$154,125; 2,200,000 December 2015 Options were exercised at \$0.001 cents each; 10,075,000 December 2009 Options were exercised at \$0.405 cents and 10,075,000 December 2015 Options were exercised at \$0.46 cents; and 2,000,000 June 2008 Options were exercised at \$0.50 cents each

## 12) SUBSEQUENT EVENTS

With the passing of all Resolutions at the General Meeting on 2<sup>nd</sup> July, the Company formally requested a change of company name from Niagara Mining Limited to Poseidon Nickel Limited. A Certificate of Registration on Change of Name was issued by the ASIC on 6<sup>th</sup> July.

With the completion of the capital reorganisation by the ASX on 17<sup>th</sup> July, the Company requested that the ASX change the company name to Poseidon Nickel Limited (ASX: POS). This change became effective on the ASX from 25<sup>th</sup> July.



**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.*

**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 2007

**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	(838)	(4,600)
(b) development	(2,593)	(2,593)
(c) production	-	-
(d) administration	(666)	(1,978)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	137	305
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	51	133
<b>Net Operating Cash Flows</b>	<b>(3,909)</b>	<b>(8,733)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(416)	(425)
1.9 Proceeds from sale of:		
(a) prospects	-	64
(b) equity investments	-	530
(c) other fixed assets	-	-
1.10 Loans to other entities	-	(6)
1.11 Loans repaid by other entities	-	-
1.12 Other – Security Deposits (Environmental/Rental Bonds)	-	(3,523)
<b>Net investing cash flows</b>	<b>(416)</b>	<b>(3,360)</b>
1.13 Total operating and investing cash flows (carried forward)	(4,325)	(12,093)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(4,325)	(12,093)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	9,872	19,735
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	150	150
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Share Issue Costs	(19)	(446)
	<b>Net financing cash flows</b>	<b>10,003</b>	<b>19,439</b>
	<b>Net increase (decrease) in cash held</b>	<b>5,678</b>	<b>7,346</b>
1.20	Cash at beginning of quarter/year to date	4,795	3,127
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>10,473</b>	<b>10,473</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	107
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

N/A

### 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	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,100
4.2 Development	3,200
<b>Total</b>	<b>5,300</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	6,922	323
5.2 Deposits at call	3,551	4,472
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>10,473</b>	<b>4,795</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	N/A			
6.2 Interests in mining tenements acquired or increased	E38/2060	Owned	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	297,091,283 450,000 11,104,700	297,091,283 - -	\$0.06 \$0.051	\$0.01 \$0.001
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
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>
Unlisted	4,800,000	-	\$0.20	9 December 2015
Unlisted	2,000,000	-	\$0.50	30 June 2008
Listed	9,315,791	9,315,791	\$0.405	5 December 2009
Listed	9,315,791	9,315,791	\$0.46	5 December 2011
7.8 Issued during quarter				
7.9 Exercised during quarter	2,200,000 2,000,000 10,075,000 10,075,000	- - 10,075,000 10,075,000	\$0.20 \$0.50 \$0.405 \$0.46	9 December 2015 30 June 2008 5 December 2009 5 December 2011
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: ..... Date: 31 July 2007  
(Director)

Print name: RICHARD MONTI

**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.