

30 October 2007

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 SEPTEMBER 2007

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

Yours faithfully



David P.A. Singleton
CHIEF EXECUTIVE OFFICER

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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

Mr David Singleton - 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
Tel: 61 8 9323 2000

Principal Office

Unit 8, Churchill Court
331-335 Hay Street
SUBIACO WA 6008
Tel: 61 8 9382 8799
Fax: 61 8 9382 4760

Registered Office

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

Home Exchange

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

ASX Announcement

30 October 2007

Quarterly Report for the Year Ended 30 September 2007

HIGHLIGHTS

- 'Fast Start' engineering study and prefeasibility analysis underway
- 2 Diamond Drill rigs are now operational on site for an extended drilling campaign
- 9 diamond drill holes for a total of 2343.8m were completed at the Mt Windarra Nickel Project (WNP)
- Initial Drilling results from this campaign were successful and have been released to the market
- In addition a total of 264 RC holes were completed for 10,117m at the Mt Windarra, South Windarra and Woodline Well projects
- Received DEC licence to dewater Mount Windarra under the Environmental Protection Act
- Mine rehabilitation equipment and services are now on site and have been tested and considered ready for operations

1. REVIEW OF NICKEL OPERATIONS

The Company is making good progress on gaining the necessary statutory approvals to allow commencement of operations at Mt Windarra with continued support from the various Government Departments. The licence for dewatering the mine under the Environmental Protection Act was received from the DEC in late October 2007. The company now only needs a licence for the pipeline itself in order to commence pumping operations.

In preparation for the commencement of refurbishment of the Mt Windarra Underground Mine, services including electric power, water and a ventilation fan have now been installed at the 550 portal entrance and subsequently the first 100m of decline have been rock bolted and cleaned up. This work has tested both equipment and decline rehabilitation methodology.

The existing Raise bore holes W568 and V544 have been successfully opened and an inspection with a down hole camera has shown these holes to be clear to a depth of 150m and capable of being reused. These holes are key infrastructure in the mine's ventilation system.

The original mine plans are still available and are being used for the detailed planning of the decline refurbishment and re-installment of mine services. Critical equipment for safety and rescue, pumps and ventilation items have been sourced.

Mining consultants have been engaged to commence the geotechnical evaluation and preliminary mine design for G shoot.

As part of the 'Fast Start' concept GR Engineering Services have been engaged to complete an engineering study and prefeasibility analysis for a modular processing plant capable of treating sulphide ore mined from G shoot and other underground resources. The concept for ore processing is based on the construction of a transportable modular plant using secondhand equipment where this has significant schedule or cost advantages. This study will provide preliminary capital and operating cost forecasts for getting into production with a 300,000 tonne per annum processing plant.

Infrastructure, services and workforce accommodation are currently being consolidated at Mt Windarra, however planning has commenced to move all accommodation and its associated services to Laverton once production operations are commenced.

2. WINDARRA NICKEL PROJECT (WNP) EXPLORATION

Diamond drilling on the northern end of Upper G Shoot Resources has been completed, with 7 holes for 1846.5m being drilled (PND0001-0006 & PND0008). The Company announced to the ASX on 23rd October the initial Drilling results for Upper G Shoot.

The grade and intersection widths have generally exceeded the Company's expectations and have increased confidence in the grades and tonnages of the initial ore to be mined. Indications from testing carried out at the mine site are that all of the remaining, as yet unassayed, drill holes in this sequence have intersected Nickel Sulphides. Poseidon is intending to bring this ore body to a JORC compliant reserve status when the results of the final drill intersections have been received.

A second diamond drill rig has commenced drilling at the A Shoot Hanging-Wall zone. This zone has similar depths, dimensions and grades to G Shoot and may provide a near surface ore reserve to compliment G Shoot production or to extend the life of the shallows mining operation. 2 holes for 660.3m have been completed to date (PND0007 & PND0009) and drilling will continue testing this zone of mineralisation until sufficient data has been collected to commence resource calculations.

Exploration for the rest of the year will concentrate on defining the near surface, as well as the deeper underground resources below the current Windarra decline (Area 1-D & G Shoot) and to progressively bringing them into JORC compliant resource/reserves by the end of Q1 2008.

Re-establishment of the old Mt Windarra and South Windarra survey grids has been completed. Transformation of all the historic drilling and mine data to the current MGA grid system is now nearing completion.

Significant results received to data are shown in Table 1 at the end of this document.

3. SOUTH WINDARRA NICKEL PROJECT

RC grade control drilling of the South Windarra oxide dumps has been completed. 175 RC holes for 3,776m (SWG0001-174) have been drilled into the nickel oxide dumps

and the adjoining waste dumps. Resource modelling of the 2 dumps which contain nickel oxide material is currently underway and an Inferred Resource of 165,328t @ 0.74% Ni for 1,223 TNM has been calculated for Dump 2 with the optimum parameters being 90,000t @ 0.9% Ni with a cut-off grade of 0.67% Ni.

Dump 1 required 10 additional RC holes around a higher grade hole in order to complete the resource calculation and assay results are expected shortly.

4. WOODLINE WELL PROJECT

RC drill testing of the Woodline Well project area for nickel oxide material and also for nickel sulphide potential has been completed. 44 holes for a total of 3,264m (PWRC001-044) were completed on the project over and along strike from historically discovered remnant ultramafic raft within the granites to the NW of South Windarra. Geological interpretation is yet to be completed as assay results are yet to be collated.

5. CORPORATE

The Company announced to the ASX on the 26th October that it has completed the acquisition of the Laverton Nickel Project tenements from Dynasty Metals Australia Ltd. The acquired land adjoins Poseidon's existing tenements and brings its total land holding to approximately 470km². The land acquired includes the area around Woodline Well and to the west of Denny Bore. These two sites have previously reported encouraging nickel intercepts. In addition, the extended land holding will provide improved options for key infrastructure to support the "Fast Start" project. This includes an option for a shorter water pipeline route from the South Windarra open pit and options for an alternative location for a new tailings disposal system.

The acquisition follows a previous announcement of a conditional agreement with Dynasty Metals Australia Ltd. The acquisition consideration is \$400,000 of fully paid shares in Poseidon. The shares are valued at \$1.755 which is the Weighted Average Price over the five days preceding the date the agreement was signed on 23 July, 2007.

At a General meeting held on 2 July 2007, among resolutions, shareholders approved the appointment of Andrew Forrest, Richard Monti and Chris Indermaur as directors. The capital of the Company was consolidated on the basis that every 2 (two) shares or options on issue were consolidated into 1 (one) share or option. In addition 115,000,000 options and 5,000,000 shares were issued to Andrew Forrest or his nominees and 2,500,000 options and 500,000 shares were issued to Ventnor Capital Pty Ltd (or its nominees), a company associated with Richard Monti

Announced to the ASX on the 20th September was the decision made by Andrew Forrest to donate his option entitlement in the Company to the Australian Children's Trust (Trust).

In addition, during the quarter 2,400,000 options were exercised by the former Directors and 3,000,000 Listed Options were issued in recognition of Corporate Advisory Services previously provided to the Company in January 2007. Also, as outlined in the resolutions of the 2 July General Meeting, 1,000,000 Incentive Options were issued to Senior Management, of which 500,000 have been exercised.

The Company announced to the ASX on the 29th August that the boards of Poseidon and Fortescue Metals Ltd (FMG) had decided not to ratify the Nickel Marketing Agreement.



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.

Drill Hole Details								Intersection Summary		
Hole ID	Prospect Locations	Target Names	Hole Depth	Easting	Northing	Dip	Azimuth	From	To	Intersection
METG002	Mt Windarra	G Shoot	163.0	425434	6848484	-60	260	145.6	146.15	0.55m @ 0.84%
PND0001	Mt Windarra	G Shoot	153.1	425230	6848834	-60	259.2	52.8	61.15	8.35m @ 0.85%
							<i>incl</i>	58.8	61.15	2.35m @ 1.14%
								69.85	71.88	2.03m @ 2.42%
PND0002	Mt Windarra	G Shoot	162.7	425249	6848817	-60	259.2	86.1	87.1	1.00m @ 2.15%
								96.7	106.55	9.85m @ 2.06%
							<i>incl</i>	96.7	102.7	6.00m @ 2.84%
								114.55	122.9	8.35m @ 1.11%
PND0003	Mt Windarra	G Shoot	186.6	425261	6848819	-60	259.2	99.00	102.00	3.00m @ 1.26%
							<i>incl</i>	99.00	100.00	1.00m @ 2.39%
								122.30	128.65	6.35m @ 3.84%
								143.00	150.75	7.75m @ 0.83%
							<i>incl</i>	149.00	150.75	1.75m @ 1.20%
PND0004	Mt Windarra	G Shoot	220.4	425280	6848823	-60	259.2			Assays awaiting
PND0005	Mt Windarra	G Shoot	240.6	425282	6848823	-65	259.2			Assays awaiting
PND0006	Mt Windarra	G Shoot	341.0	425334	6848833	-60	259.2			Assays awaiting
PND0007	Mt Windarra	A Shoot HW	315.3	425130	6848250	-57.5	259.2			Assays awaiting
PND0008	Mt Windarra	G Shoot	379.1	425334	6848833	-65	257.2			Assays awaiting
PND0009	Mt Windarra	A Shoot HW	345.0	425130	6848250	-60	259.2			Assays awaiting

Note: All results are downhole not true width intersections. Length weighted average calculations with an average SG of 3.0 have been used.

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 September 2007

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(1,261)	(1,261)
	(b) development	(1,454)	(1,454)
	(c) production	-	-
	(d) administration	(962)	(962)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	168	168
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	140	140
	Net Operating Cash Flows	(3,369)	(3,369)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(155)	(155)
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	(155)	(155)
1.13	Total operating and investing cash flows (carried forward)	(3,524)	(3,524)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(3,524)	(3,524)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,185	3,185
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(8)	(8)
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	3,177	3,177
	Net increase (decrease) in cash held	(347)	(347)
1.20	Cash at beginning of quarter/year to date	10,473	10,473
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	10,126	10,126

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	129
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

On 18 July 2007, 1,500,000 December 2009 Options and 1,500,000 December 2011 Options were issued at a price of \$0.11 and \$0.12 per option, respectively, as consideration for corporate advisory services.

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	2,300
4.2 Development	1,100
Total	3,400

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	10,126	6,922
5.2 Deposits at call	-	3,551
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	10,126	10,473

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	E 38/1752	In Transfer	Nil	100%
	PL 38/3272	In Transfer	Nil	100%
	PL 38/3273	In Transfer	Nil	100%
	PL 38/3274	In Transfer	Nil	100%
	E 38/1325	In Application	Nil	100%
	E 39/1325	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	156,946,086 5,777,200	156,946,086 5,777,200	\$0.102	\$0.002
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	8,400,000	8,400,000		
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>
<i>Listed</i>	6,157,903	6,157,903	\$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	-	\$2.00	30 June 2008
<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
7.8 Issued during quarter	1,500,000 1,500,000 1,000,000 2,500,000 115,000,000	1,500,000 1,500,000 - - -	\$0.81 \$0.92 \$1.96 \$0.40 \$0.40	5 December 2009 5 December 2011 2 July 2011 31 July 2012 19 September 2012
7.9 Exercised during quarter	2,400,000	-	\$0.20	9 December 2015
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: 30 October 2007

Print name: Christopher Indermaur

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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