

POSEIDON NICKEL

28 May 2008

Ms Kerrie Papamihail
Assistant Manager, Issuers (Perth)
ASX Ltd
Level 8, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Madam

POSEIDON NICKEL LIMITED

I refer to your letter dated 28 May 2008 querying the price change and volume of trading in the securities of Poseidon Nickel Limited (**Poseidon or Company**).

In response to each of the queries in your facsimile, the Company responds as follows:

1. *Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?*

No, however please refer to point 3 below.

2. *If the answer to question 1 is yes, can an announcement be made immediately? If not, why and when is it expected that an announcement will be made?*

Not applicable.

3. *Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?*

The Company is in ongoing negotiations regarding funding proposals for project development and general working capital. The need for further capital has been referred to in previous Company announcements. As at the date of this announcement, negotiations are progressing however it is not possible for the Company to speculate whether these negotiations will be successfully completed in the near term or, at all.

In addition the Company is aware of recent media speculation involving Fortescue Metals Group Limited (ASX:FMG) and Chinese investor interest. Poseidon has a

number of common directors with Fortescue and has in the past noted a correlation between increased trading activity in Poseidon securities and media speculation involving Fortescue.

4. *Please confirm that the Company is in compliance with the listing rules and, in particular listing rule 3.1*

The Company confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1

Should you have any queries please contact the Company on (08) 9382 8799.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Singleton', with a long horizontal line extending to the right.

DAVID SINGLETON
Managing Director & CEO



ASX Limited
ABN 98 008 624 691
Level 8
Exchange Plaza
2 The Esplanade
Perth WA 6000

By facsimile: 08 9382 4760

28 May 2008

GPO Box D187
Perth WA 6840

Mr Ross Kestel
Company Secretary
Poseidon Nickel Limited
Level 2 Spectrum
100 Railway Parade
SUBIACO WA 6008

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Facsimile 61 (08) 9221 2020
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Dear Mr Kestel

PRICE AND VOLUME QUERY

We have noted a change in the price of the Company's securities from 77 cents on 23 May 2008 to an intra day high of \$1.06 today. ASX also notes the higher volumes of securities being traded.

In light of the price and volume change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?
2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?
4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **1.00pm WST today**.

The response must be in a form suitable for release to the market. If you have any concern about release of a response, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

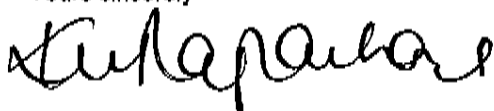
If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the company's securities. As set out in listing rule 17.1 and the guidance note titled "Trading halts" we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely



Kerrie Papamihail
Assistant Manager, Issuers (Perth)