

18 August 2008

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

Dear Sir

Re: DENNY BORE NICKEL SULPHIDE MINERALISATION STARTS TO TAKE SHAPE

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
P: 61 8 9382 8799
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 2, Spectrum
100 Railway Road
SUBIACO WA 6008
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

Denny Bore Nickel Sulphide Mineralisation Starts to Take Shape

Poseidon Nickel Limited (ASX:POS) is pleased to announce that recent drilling has confirmed the presence of an extensive zone of nickel sulphide mineralisation at Denny Bore that may lead to the definition of a resource as additional intercepts are recorded. Since its last announcement, Poseidon has completed an additional three diamond drill holes (PND0038B, PND0039 and PND0040) at the Denny Bore project, and a fourth hole (PND0041) is currently underway. This drilling continues to track the nickel zones 280 metres vertically closer to the surface than the original discovery hole.

Typically, the intersections at Denny Bore have been high grade and sub-1m in thickness. Characteristically the nickel mineralisation in each hole features a zone of lower grade disseminated nickel sulphide at the top of the mineralised zone, followed by the higher grade massive nickel sulphide at the base of the komatiite channel within the Windarra Ultramafic unit. **Importantly when the intercepts are interpreted into typical mining widths of around 2m in thickness, the grades typically average between 2.2-3.5% Ni (Table 1 & Figure 1), which is consistent with Kambalda style nickel mineralisation.**

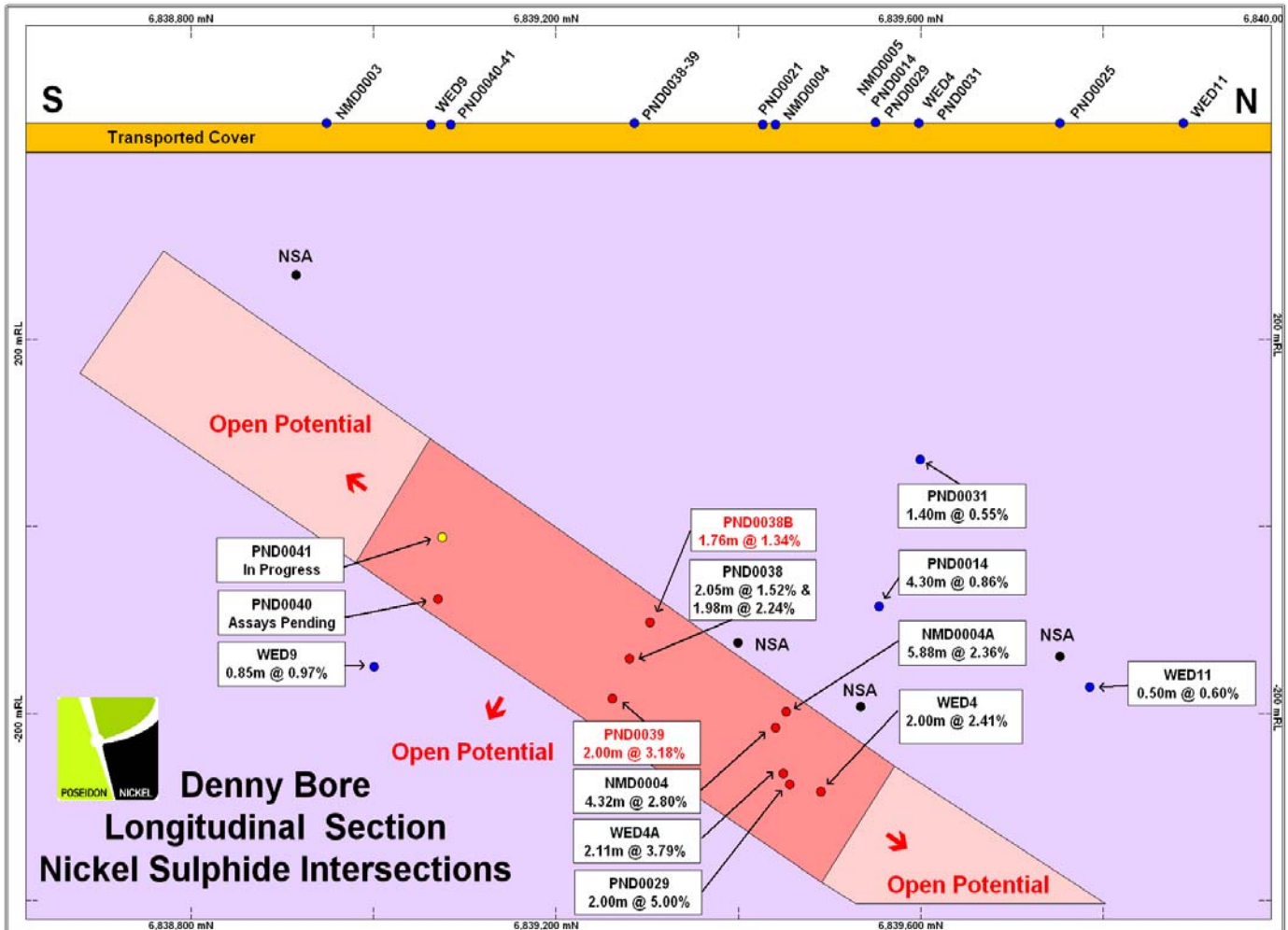


Figure 1: Long Section showing the interpretation of the nickeliferous lava channel and the drill hole pierce points with typical bulked out mining width nickel intersection calculations.

The recent round of drill holes has begun to define the shape and orientation of the lava channel system which hosts the nickeliferous mineralisation (Figure 1). To date the drilling has defined nickel mineralisation within this komatiite-hosted lava channel over a strike length of some 480m. The mineralised channel is at least 150m wide, and is open in 3 directions. Nickel grades and widths are greatest towards the centre of the channel, and typically become thinner and lower grade towards the edges of the channel. This is typical of Kambalda-style komatiite-hosted nickel ore bodies which helps the Poseidon geologists interpret and target the prospective mineralised channel.

The mineralisation at Denny Bore is blind at the surface and is covered by transported material. The original Denny Bore discovery hole (WED4) intersected the mineralisation at a down hole depth of 796m. In contrast to typical exploration discoveries, Poseidon is actively defining the mineralised zone from the bottom up. Importantly there is geological evidence to support the view that the lava channel will run to the surface. Once the orientation and surface projection of this channel has been confidently defined, Poseidon will prepare a drilling program to test for near surface mineralisation associated with this nickeliferous lava channel.

Assay results from the current drilling have recently been returned for PND0038B & PND0039. PND0039 intersected higher grades within the centre of the interpreted channel system, returning **0.74m @ 6.82% Ni** from 613.15m, which when bulked out into typical mining widths, equates to **2.00m @ 3.18% Ni**. PND0038B which intersected the upper edge of the channel returned **0.68m @ 3.13% Ni** from 592.74m, or a bulked out mining grade of **1.76m @ 1.34% Ni** (Table 1 & Figure 1). Assays are pending for hole PND0040, however nickel sulphides have been intersected in this hole, and portable Niton XRF gun readings indicate grades of +3% Ni. Down-Hole Electromagnetic (DHEM) surveys are returning positive results, showing that there is both in-hole and off-hole conductive sulphides anomalies nearby, which supports the mineralised lava channel model.

The nickel mineralisation at Denny Bore is shaping as an extremely exciting discovery for the Company and Poseidon looks forward to being able to define an Inferred Resource in the near future. Denny Bore is located approximately 12km south of the Mt Windarra nickel mine at Poseidon's flagship Windarra Nickel Project.

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.

HOLE ID	ZONE	FROM	TO	WIDTH	Ni %	COMMENT
NMD004		666.48	667.04	0.56	13.49	
	&	669.73	670.80	1.07	2.48	
		666.48	670.80	4.32	2.80	Bulked Out Grade
NMD004A		659.57	659.85	0.28	13.46	
	&	664.50	665.45	0.95	7.55	
		659.57	665.45	5.88	2.36	Bulked Out Grade
WED4		796.30	797.25	0.95	4.81	
	<i>incl</i>	796.30	796.40	0.10	17.00	
	<i>incl</i>	797.10	797.25	0.15	13.50	
		796.00	798.00	2.00	2.41	Bulked Out Grade
WED4A		794.80	795.17	0.37	17.58	
		793.82	795.93	2.11	3.79	Bulked Out Grade
WED9		627.30	628.15	0.85	0.97	
PND0029		743.44	745.00	1.56	6.24	
	<i>incl</i>	743.44	744.05	0.61	13.40	
		743.00	745.00	2.00	5.00	Bulked Out Grade
PND0038	<i>Upper</i>	588.60	589.75	1.15	2.24	
	<i>Lower</i>	595.80	596.98	1.18	3.33	
	<i>incl</i>	596.66	596.98	0.32	7.36	
	<i>Upper</i>	587.70	589.75	2.05	1.52	Bulked Out Grade
	<i>Lower</i>	595.00	596.98	1.98	2.24	Bulked Out Grade
PND0038B	<i>Upper</i>	582.64	583.00	0.36	0.97	
	<i>Lower</i>	592.74	593.42	0.68	3.13	
	<i>Lower</i>	592.74	594.50	1.76	1.34	Bulked Out Grade
PND0039		613.11	613.85	0.74	6.82	
		612.15	614.15	2.00	3.18	Bulked Out Grade

Table 1: Drill hole intersections with actual intersections and typical bulked out mining width intersection calculations.