

28th August 2008

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

Dear Sir

Re: NICKEL SULPHIDE PROCESS CONTINUOUS PILOT TESTING GETS UNDERWAY

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

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Shareholder Enquiries

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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

ASX Announcement

28th August 2008

Nickel Sulphide Process Continuous Pilot Testing gets Underway

Poseidon Nickel is pleased to announce that the first stage of its ore processing tests for the Windarra Nickel Project has been successfully completed and that the results have exceeded Poseidon's expectations. Poseidon has now committed to proceed to continuous process pilot testing starting later this month. The Company has extracted a sample of approximately 3 tonnes of fresh nickel sulphide ore from the Windarra orebody which will be processed during the test programme.

The objective of the test programme is to demonstrate the reliability and efficiency of the metallurgical processes envisaged for the Windarra Project and to show that such results can be consistently reproduced during continuous operation.

David Singleton, CEO and MD said "The pilot test programme reflects our determination to deliver a robust, well researched prefeasibility study founded on actual test results at pilot scale. Further continuous testing programmes are scheduled for September and October this year which are intended to demonstrate to a high degree of confidence the proposed process parameters."

The results of the test work will support the Project prefeasibility currently under development.

Poseidon has reviewed various test facilities available and has chosen to engage Lakefield Ore Test to carry out the pilot programme. Preparation of ore samples has begun at Lakefield's facilities in Perth. The pilot testing is expected to run for 10-14 days.

The Company is currently progressing studies into a major nickel mining operation at Windarra capable of producing in the order of 20,000 tonnes of nickel per annum. The Project currently has JORC-compliant Indicated and Inferred resources of 60,370 tonnes of contained nickel, and significant potential for further increases as exploration progresses along the previously unexplored 24kms strike length host ultramafics.