

2 October 2008

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

Dear Sir

**Re: WINDARRA NICKEL PROJECT UPDATE**

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

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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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### Windarra Nickel Project Update

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Poseidon Nickel provides the following update on activities at the Windarra Nickel Project in Western Australia:

#### **Mt Windarra**

Since rehabilitation of the Mt Windarra underground mine commenced in March, Poseidon has been extremely encouraged with progress at the site, where it is evaluating the potential to establish a world-class nickel operation producing in the order of 20,000 tonnes of nickel per annum.

To date, Poseidon has announced JORC-compliant Indicated and Inferred resources of 60,370 tonnes contained nickel at Mt Windarra, and believes there is significant potential for further increases as exploration progresses along the previously unexplored 24kms strike length host ultramafics on its Windarra tenements.

Poseidon has also now rehabilitated some 700m of the Mt Windarra decline, in the process confirming that the decline remains in good condition, which suggests refurbishment expenditure can be kept to a minimum.

Given the rapid progress of this decline refurbishment program while Poseidon proceeds with prefeasibility studies into the optimum development scenario for the project, the Company has decided to temporarily suspend underground rehabilitation activities at the end of October.

Poseidon believes this is the most sensible course of action in the current period of global uncertainty and will ensure the optimum use of the Company's cash reserves while development studies for Windarra continue.

Unfortunately, this decision will also result in a small reduction in workforce numbers at Windarra, with some 9 workers expected to be affected.

Poseidon notes that it remains extremely confident in the outlook for the Windarra Nickel Project and will provide a further update on progress of the prefeasibility study as results come to hand.

As part of the study, Poseidon has now completed its continuous pilot testing program of fresh nickel sulphide ore at Lakefield Ore Test. The Company is now undertaking an intensive review of the results data, which is expected to be completed over the next two to three months. The results of this review will be supplied to Bateman Engineering in order to update expected operating costs in the project scoping study model.

#### **Denny Bore**

Intensive exploration drilling program at the Denny Bore nickel discovery, 12km south of the main Mt Windarra deposit, continues to generate extremely positive results. Three rigs are

currently operating at Denny Bore, with the aim of extending the mineralisation up-dip towards the surface.

Poseidon expects to complete this current phase of intensive extension drilling by the end of October, at which point the Company expects to have a clearer understanding of the mineralisation, including the near-surface extent of the nickel zones. Based on the results to date, we are increasingly confident of confirming Denny Bore's potential to become a second operating mine at the Windarra Project.

As announced previously, Poseidon has confirmed the presence of an extensive zone of nickel sulphide mineralisation at Denny Bore. Notably, this drilling has confirmed that the mineralisation extends toward surface with the last reported results confirming these nickel zones extend at least 280m closer to surface than the original discovery intercept which was recorded at a downhole depth of 796m.

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 which is consistent with Kambalda style nickel mineralisation.

## ENDS

*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.*