

QUARTERLY REPORT

30 SEPTEMBER 2008

COMPANY OVERVIEW

Poseidon is a Nickel exploration and development company focused on the historic Windarra Nickel Project in the N.E. Goldfields.

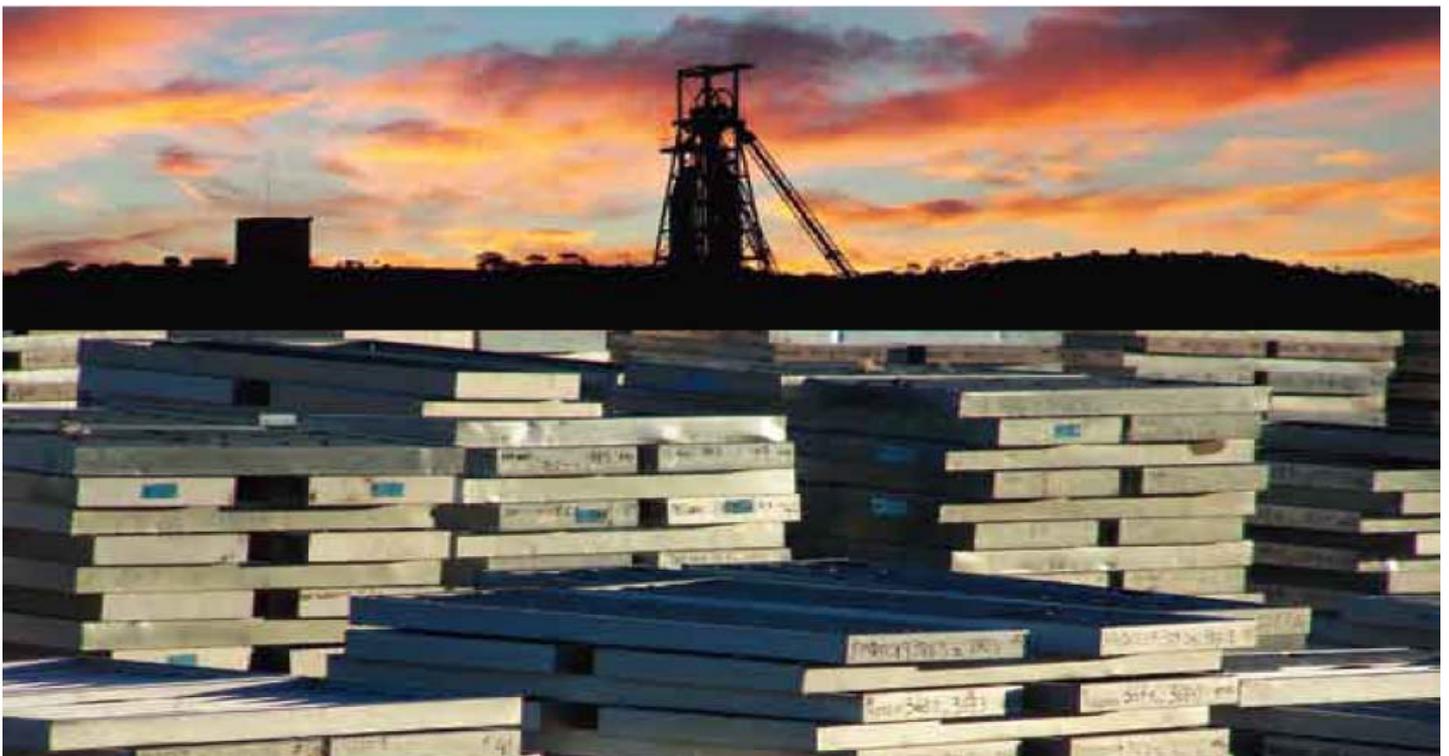
The Windarra Nickel Project consists of an existing open pit and underground mine at South Windarra and Mount Windarra respectively.

In the last year, Poseidon has defined a 60,000* tonne JORC code compliant nickel resource at Mt Windarra adjacent and below the existing underground infrastructure representing a low cost entry to the market.

The project contains 24 kilometres of highly prospective and under-explored host mineralisation and Poseidon has discovered its first new significant ore body on the site.

ASX CODE: POS

*see attached resource statement



COMPANY HIGHLIGHTS

- Denny Bore discovery drilling continues towards the surface
- Mt Windarra underground decline refurbishment has successfully passed 2 of the 3 critical zones
- Process development testing has run successfully and completes in October 2008
- Company taking action to preserve cash in current highly volatile market
- Non-Executive Director, Chris Indermaur has resigned as of 30 September to take up a full time role in the industry

EXPLORATION UPDATE

- Poseidon has now drilled the Denny Bore discovery from 750m underground, up to 350m from the surface (see figure 1).
- Significantly enhanced R.C. and diamond drilling programme to complete drill out of Denny Bore to be finished in early November 2008.
- Poseidon has completed 21 diamond drill holes for 5,464.4 metres which consisted of:
 - 9 holes for 4,213.1 metres at Denny Bore
 - 12 wedge holes for 1,251.3 metres at Mt Windarra for collecting metallurgical samples for the continuous pilot test work

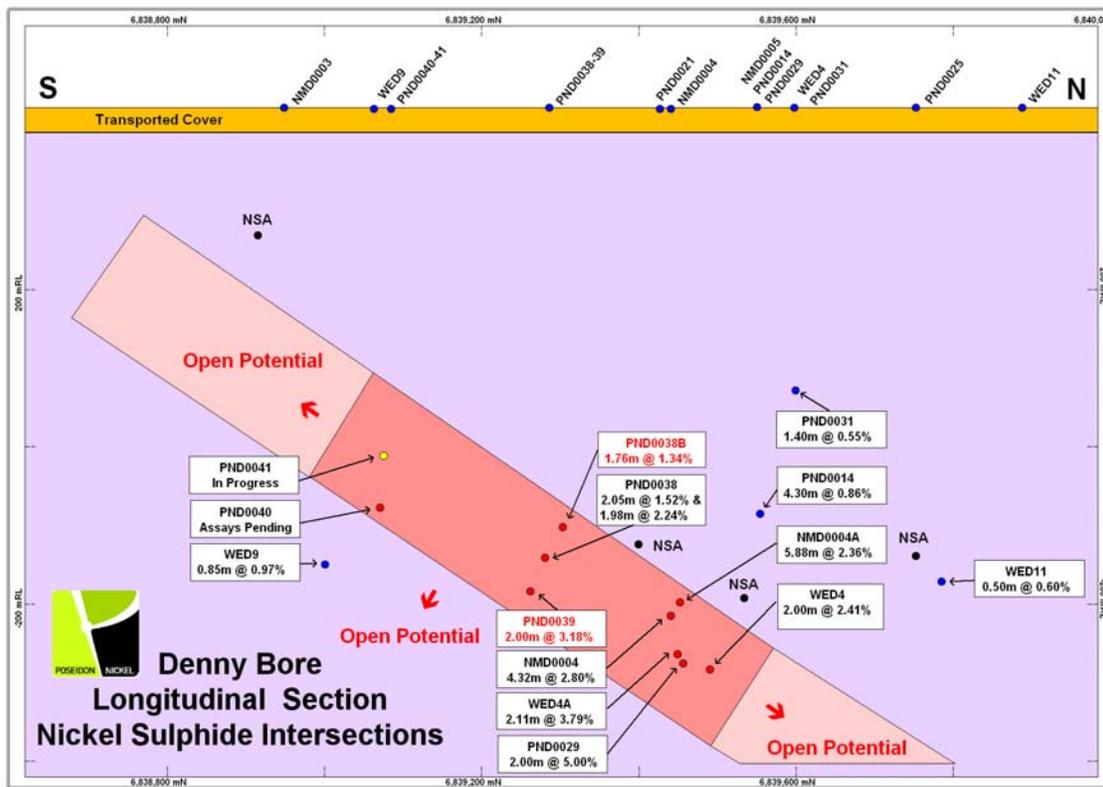


Figure 1: Long Section showing the interpretation of the nickeliferous lava channel and the drill hole pierce points with typical bulked out mining width nickel intersection calculations.

OPERATIONS

- Poseidon has completed 1.1 linear kilometres of decline refurbishment during the period.
- Poseidon has passed 2 of the 3 areas of concern (marked “Expected Broken Rock” in Figure 2) in the decline, which are potentially affected by the Charlie shear zone, without incident. At current progress rates the third zone will be reached by the end of October 2008 (see figure 2).

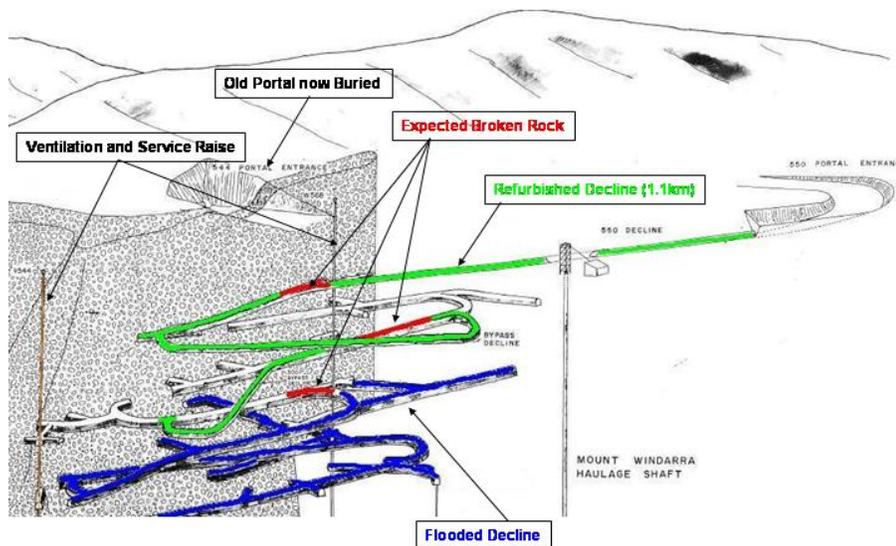


Figure 2: Long Section showing rehabilitation progress of the Mt Windarra mine decline

- The general condition of the decline is better than had been expected and has resulted in a lower refurbishment cost per linear metre than planned.
- The high level of progress and the removal of a significant level of risk, has led to the Company temporarily suspending further work on the decline from early November 2008. Water levels will be maintained at or near the end of October levels.

FINANCIAL

- Following the securing of funding with Harbinger Capital Partners (“Harbinger”) in June, the Company has cash on hand totalling \$11 million as at 30 September 2008.
- The Company will continue to focus on optimising its cash reserves due to the current period of global uncertainty however, development studies for the Windarra Nickel Project will continue.

MARKET INFORMATION

- Figure 3 below shows the underlying correlation between Poseidon's share price and the LME Nickel price over the last 12 months.

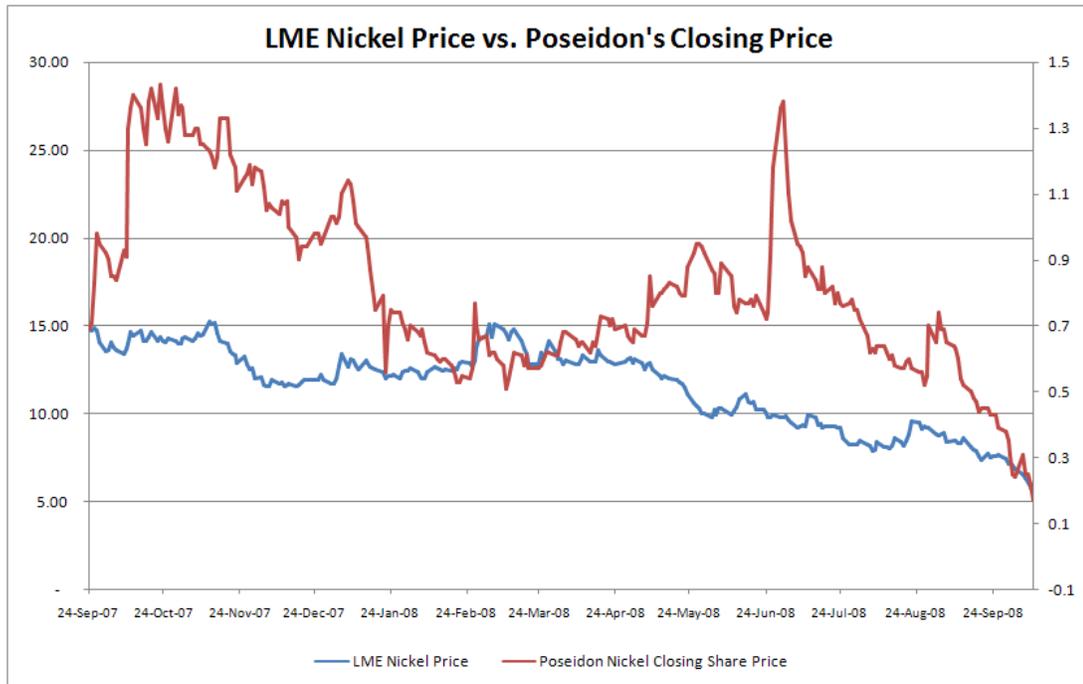


Figure 3

CORPORATE

- The Company issued 15,906,681 Unsecured Convertible Notes following the funding arrangement with Harbinger. This figure is an estimate only based upon US\$15 million and an average exchange rate of 0.943. The actual number of Notes issued at conversion will vary depending upon the exchange rate at the time of conversion. The notes have a 6 year term converted at A\$1.00 and no interest for the first 3 years and 5% per annum thereafter.

The funding package of US\$50 million will be made in 2 tranches, the initial US\$15 million has been issued already and the second tranche of US\$35 million is subject to shareholders approving the issue at the Company's next general meeting. In addition, both parties are required to agree the specific timing of the issue post the Annual General Meeting.

- On 17 July 2008, 42,152 Fully Paid Ordinary Shares were issued in Lieu of Directors fees for the quarter to June under the Director Share Plan. The shares are issued at nil consideration but have a deemed issue price of \$0.9489, based upon the volume weighted average sale price ("VWAP") for the 90 days prior to the expiration of the quarter. Also, the Company issued 500,000 Fully Paid Ordinary Shares to Mr D Singleton in line with his 2 July 2007 Employment Agreement. The shares were purchased for \$1.96 per share.

- On 2 September 2008, the Company issued 626,262 Participating Bonus Shares and 313,131 Special Bonus Shares to employees in accordance with the Poseidon Employee Bonus Scheme. The shares were issued where employees pre-elected to receive their annual cash bonus as shares at a deemed issue price of \$0.80. A holding lock will be placed on the Special Bonus Shares for a 3 year period.
- Non-Executive Director, Chris Indermaur resigned from the Board in order to take up a full time executive position with another company. His resignation was effective from 30 September 2008.
- The Company intends to hold its Annual General Meeting at the Exchange Plaza on 27 November, 2008.
- 1,000,000 June 2008 Unlisted Options lapsed during the quarter and were subsequently cancelled by the Company.

RESOURCE STATEMENT

Sulphide Deposits	Tonnes	Ni% Grade	Ni Metal t	Resource Category
Total Indicated	1,003,127	1.09	10,930	Indicated
Total Inferred	3,164,723	1.56	49,441	Inferred
Total All Categories	4,167,850	1.45	60,370	

The following parameters were used in the Indicated and Inferred Resource calculations:

Inferred Resource: cut-off grade of 1.0% Ni using IDW² block modelling.

Indicated Resource: cut-off grade of 0.75% Ni using IDW² block modelling.

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.



David P.A. Singleton
MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

15 October 2008

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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
Ross Kestel	Company Secretary

Corporate Enquiries

Mr David Singleton – MD & CEO
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Shareholder Enquiries

Enquiries concerning shareholdings should be addressed to:

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F: 61 8 9382 4760

Registered Office

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P: 61 8 9367 8133
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Media 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

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 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(3,311)	(3,311)
(b) development	-	-
(c) production	-	-
(d) administration	(1,039)	(1,039)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	163	163
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	196	196
Net Operating Cash Flows	(3,991)	(3,991)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(357)	(357)
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	(357)	(357)
1.13 Total operating and investing cash flows (carried forward)	(4,348)	(4,348)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(4,348)	(4,348)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	980	980
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(24)	(24)
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	956	956
	Net increase (decrease) in cash held	(3,392)	(3,392)
1.20	Cash at beginning of quarter/year to date	14,365	14,365
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	10,973	10,973

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	112
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

On 17 July 2008, 42,152 ordinary shares were issued at a price of \$0.9489 per share, to the Directors in lieu of Directors Fees for the June 2008 quarter in accordance with the Terms and Conditions of the Director Share Plan. This has not been included in the above cash flow.

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

N/A

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	15,619	15,619
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,400
4.2 Development	-
Total	1,400

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	996	10,863
5.2 Deposits at call	9,977	3,502
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	10,973	14,365

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	E39 / 1326 E38 / 986 – 989	In Application In Application	0% 0%	100% 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	158,805,410 5,752,200	157,866,017 5,752,200	\$0.102	\$0.002
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,481,545	542,152		
7.5 *Convertible debt securities <i>Unsecured</i>	15,906,681 This is an estimate only based on an average exchange rate of 0.943.	-	USD\$0.943	The Notes have a six year term convertible into fully paid ordinary shares at AUD\$1.00.
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>
Listed	6,157,403	6,157,403	\$0.81	5 December 2009
Listed	6,157,904	6,157,904	\$0.92	5 December 2011
Unlisted	1,000,000	-	\$1.96	2 July 2011
Unlisted	2,500,000	-	\$0.40	31 July 2012
Unlisted	115,000,000	-	\$0.40	19 September 2012
Unlisted	533,000	-	\$1.41	22 October 2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	1,000,000	-	\$2.00	30 June 2008
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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: 15 October 2008

Print name:

Geoff Brayshaw

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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