

## QUARTERLY REPORT

**31 MARCH 2009**

### COMPANY OVERVIEW

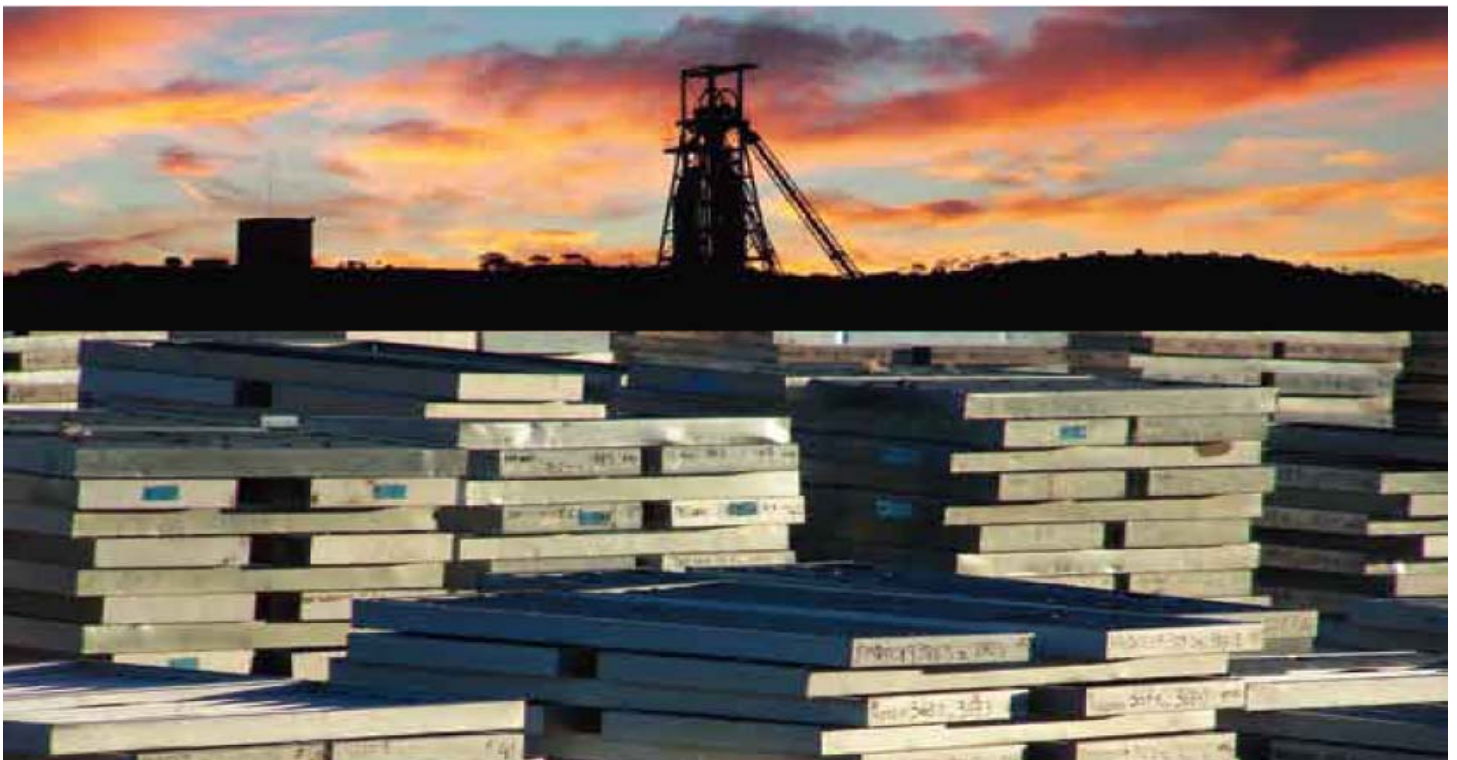
Poseidon is a Nickel exploration and development company focused on the historic Windarra Nickel Project in the N.E. Goldfields.

The Windarra Nickel Project consists of an existing open pit and underground mine at South Windarra and Mount Windarra respectively as well as 24 kilometres of highly prospective and under-explored host mineralisation.

In the last year, Poseidon has defined 88,369 tonnes of JORC code compliant nickel sulphide resources at the Windarra Nickel Project. This comprises of 63,100 tonnes of nickel at Mt Windarra, adjacent and below the existing underground infrastructure representing a low cost entry to the market; as well as a maiden 25,269 tonne nickel resource at the Cerberus deposit.

ASX CODE: POS

\*see attached resource statement



**COMPANY HIGHLIGHTS**

- A JORC compliant resource of 25,269 tonnes of nickel metal announced for the Cerberus Deposit giving a total resource base of 88,369 tonnes of nickel metal
- Continue to progress potential strategic acquisitions to support its core business during this period of low nickel prices
- Poseidon is well funded with sufficient cash reserves and access to agreed funding for the foreseeable future
- Poseidon reappoints Chris Indermaur to the Board

**SIGNIFICANT EVENTS**

- Poseidon has confirmed in an ASX announcement which followed a story in the Australian Financial Review that it had been in confidential discussions with Norilsk Nickel regarding the Cawse Nickel Project in WA. Poseidon has no further comment to make on the subject at this time.

**EXPLORATION UPDATE**

- Since completing the drilling and resource calculations for the Cerberus Deposit at the Windarra Nickel Project last quarter, the Company has been researching the historic WMC data records for additional drill hole and geochemical information to support the developing interpretation of multiple lava channels along the tenements. Previously located geochemistry data which WMC collected between 1969-1972, provided an insight in the Windarra Ultramafic which host the Mt Windarra, South Windarra and Cerberus nickel sulphide deposits. This data clearly shows “Hot Spots” which are interpreted to be potentially productive lava channels (Figure 1), which provide excellent targets for follow up exploration.
- During this quarter, Poseidon’s geologists have located additional historic drill hole data in the archives, which WMC completed to test some of these geochemical anomalies. The information is being added to the drill hole database and each hole is being located and validated in the field. The holes are generally within 20-50m from the recorded position, and modern GPS systems are being used to record the exact hole position. Once all the data is compiled and interpreted it should provide a detailed understanding of the Windarra Ultramafic and assist in target generation and prioritisation in the search for new nickel sulphide deposits within the Windarra Nickel Project.

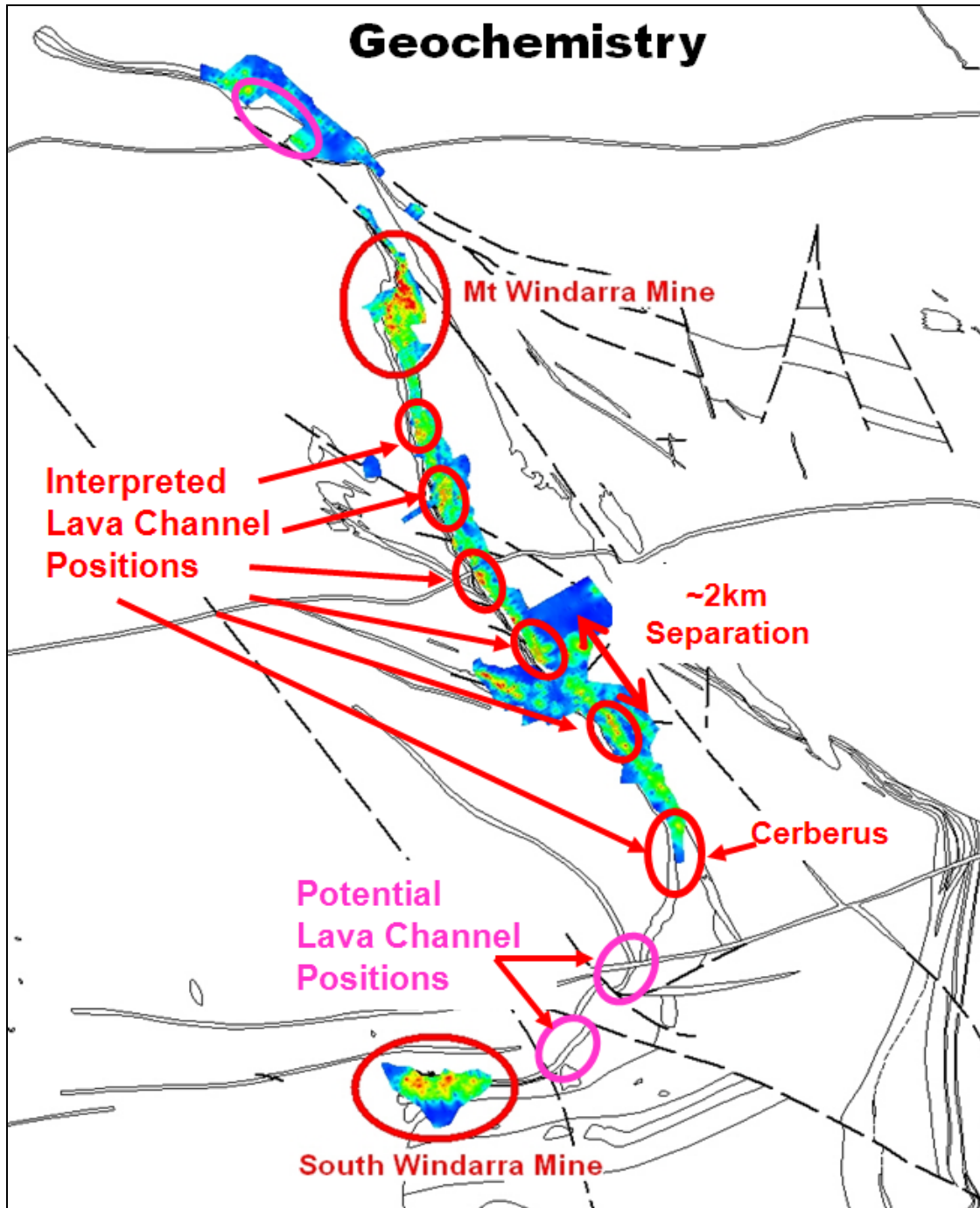


Figure 1 – Geochemical nickel sulphide “Hot Spots” which are interpreted to be Lava Channel Positions and will be the Focus of Future Exploration Activities.

**WINDARRA NICKEL PROJECT RESOURCE STATEMENT**

Windarra Nickel Project Sulphides	Tonnes	Ni% Grade	Ni Metal t	Resource Category
<b>Mt Windarra</b>	1,159,509	1.15	13,389	Indicated
<b>Mt Windarra Deeps</b>	2,828,496	1.76	49,711	Inferred
<b>Cerberus</b>	1,033,328	2.45	25,269	Inferred
<b>Total Sulphide</b>	<b>5,021,333</b>	<b>1.76</b>	<b>88,369</b>	<b>All Categories</b>

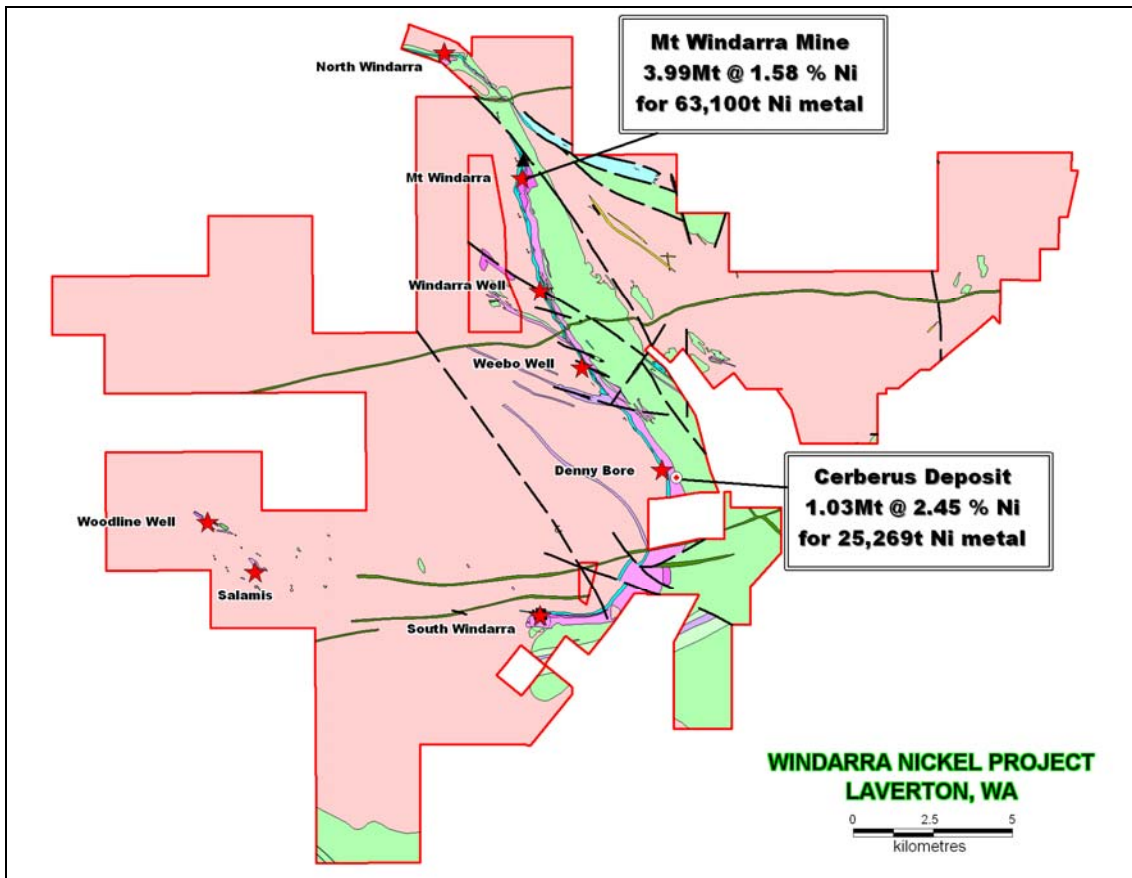


Figure 2 - Location and Geology of the Windarra Nickel Projects Sulphide Resources.

*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.*

**OPERATIONS**

- The Company has successfully placed the Windarra mine site onto care and maintenance and implemented a low cost operational management and dewatering programme. Mine water levels will be maintained at or near current levels.

**FINANCIAL**

- The Company has cash on hand totalling approximately \$4.9 million as at 31 March 2009 and continues to focus on minimising all operational cost areas during the current period of economic uncertainty. The board of Directors is satisfied that the Company has sufficient cash reserves to carry out its planned activities for at least the next 12 months assuming that the mine operational status remains the same.
- In view of the forecast cash position, Poseidon has not requested to draw on the second tranche of the funding package secured with Harbinger Capital Partners in June 2008 and does not expect to do so in the immediate future. This situation will be reviewed should the circumstances of the Company change materially.

**MARKET INFORMATION**

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

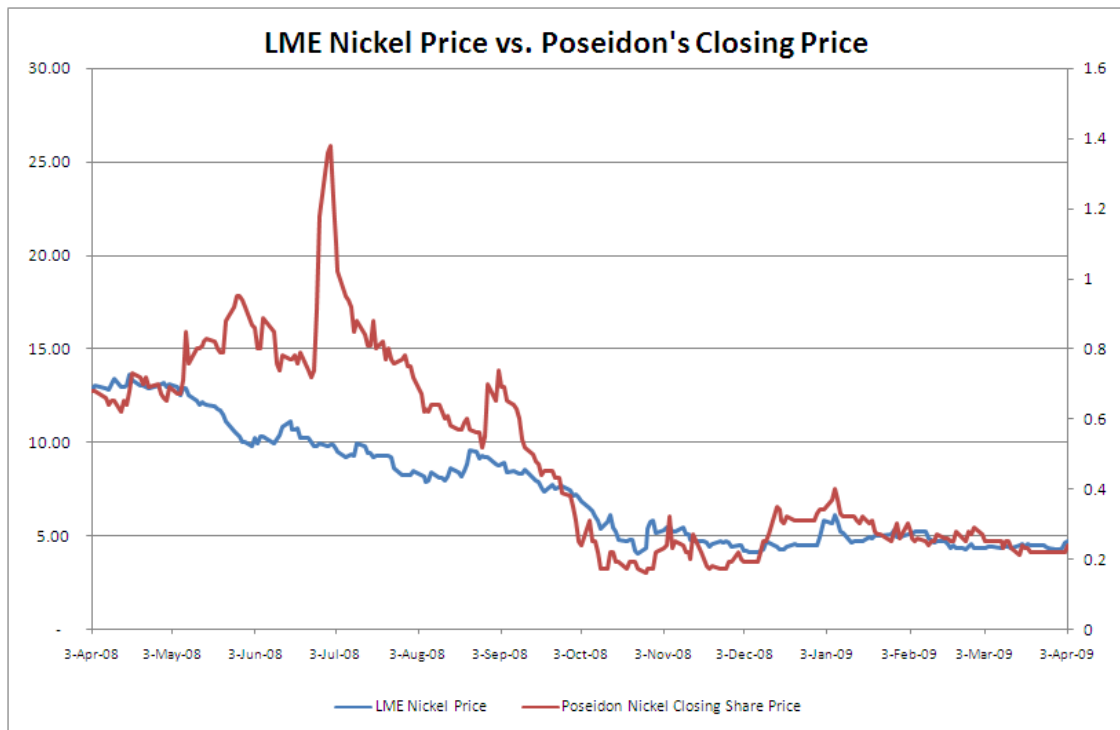


Figure 3

**CORPORATE**

- In line with Poseidon's policy to only pay Directors fees in shares in order to retain the cash reserves of the Company, 178,440 Fully Paid Ordinary Shares were issued in lieu of Directors fees for the quarter to December under the terms of the Director Share Plan. The shares were issued on 16 January 2009 at nil consideration but have a deemed issue price of \$0.2302, based upon the volume weighted average sale price ("VWAP") for the 90 days prior to the expiration of the quarter. The payment of shares as opposed to cash is not intended to confer any additional benefit for Directors.
- Poseidon believes that it has entered a period of strategic importance in the Company's development and has been fortunate to reappoint Chris Indermaur to the Board as a non-executive Director to support this effort. Chris left the Board late last year to undertake an executive role in an unrelated company and was reappointed on 2 April 2009.



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

14 April 2009

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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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F: 61 8 9382 4760

E: [admin@poseidon-nickel.com.au](mailto:admin@poseidon-nickel.com.au)

**Shareholder Enquiries**

Enquiries concerning shareholdings should be addressed to:

Computershare Investor Securities  
GPO Box D182, Perth WA 6840  
P: 61 8 9323 2000

**Principal Office**

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SUBIACO WA 6008  
P: 61 8 9382 8799  
F: 61 8 9382 4760

**Registered Office**

Level 2, Spectrum  
100 Railway Road  
SUBIACO WA 6008  
P: 61 8 9367 8133  
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**Media Enquiries**

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FD Third Person  
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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")

31 March 2009

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(755)	(8,657)
(b) development	-	-
(c) production	-	-
(d) administration	(415)	(2,446)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	76	519
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	23	287
<b>Net Operating Cash Flows</b>	<b>(1,071)</b>	<b>(10,297)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(4)	(410)
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	-	-
<b>Net investing cash flows</b>	<b>(4)</b>	<b>(410)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,075)</b>	<b>(10,707)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,075)	(10,707)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	100	1,319
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(16)	(46)
1.18	Dividends paid	-	-
1.19	Other	-	-
	<b>Net financing cash flows</b>	84	1,273
	<b>Net increase (decrease) in cash held</b>	(991)	(9,434)
1.20	Cash at beginning of quarter/year to date	5,922	14,365
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>4,931</b>	<b>4,931</b>

**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	103
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 16 January 2009, 178,440 ordinary shares were issued at a price of \$0.2302 per share as approved by the Shareholders at the Annual General Meeting in November 2008. The shares were issued to the Non-Executive Directors in lieu of Directors Fees for the December 2008 quarter. 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	600
4.2 Development	-
<b>Total</b>	<b>600</b>

### 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	931	429
5.2 Deposits at call	4,000	5,493
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,931</b>	<b>5,922</b>

### 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	N/A		

+ See chapter 19 for defined terms.

Appendix 5B  
Mining exploration entity quarterly report

**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	160,239,541 50,000 525,500 4,991,700	159,926,410 50,000 525,500 4,991,700	\$0.102 \$0.102 \$0.102	\$0.002 \$0.042 \$0.062
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	178,440	178,440		
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
Unlisted	2,000,000	-	\$0.80	19 December 2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)				
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## 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: 14 April 2009

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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