

18 January 2010

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

Dear Sir

**Re: WINDARRA EXPLORATION TO RECOMMENCE**

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

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18 January 2010

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**Windarra Exploration to Recommence**

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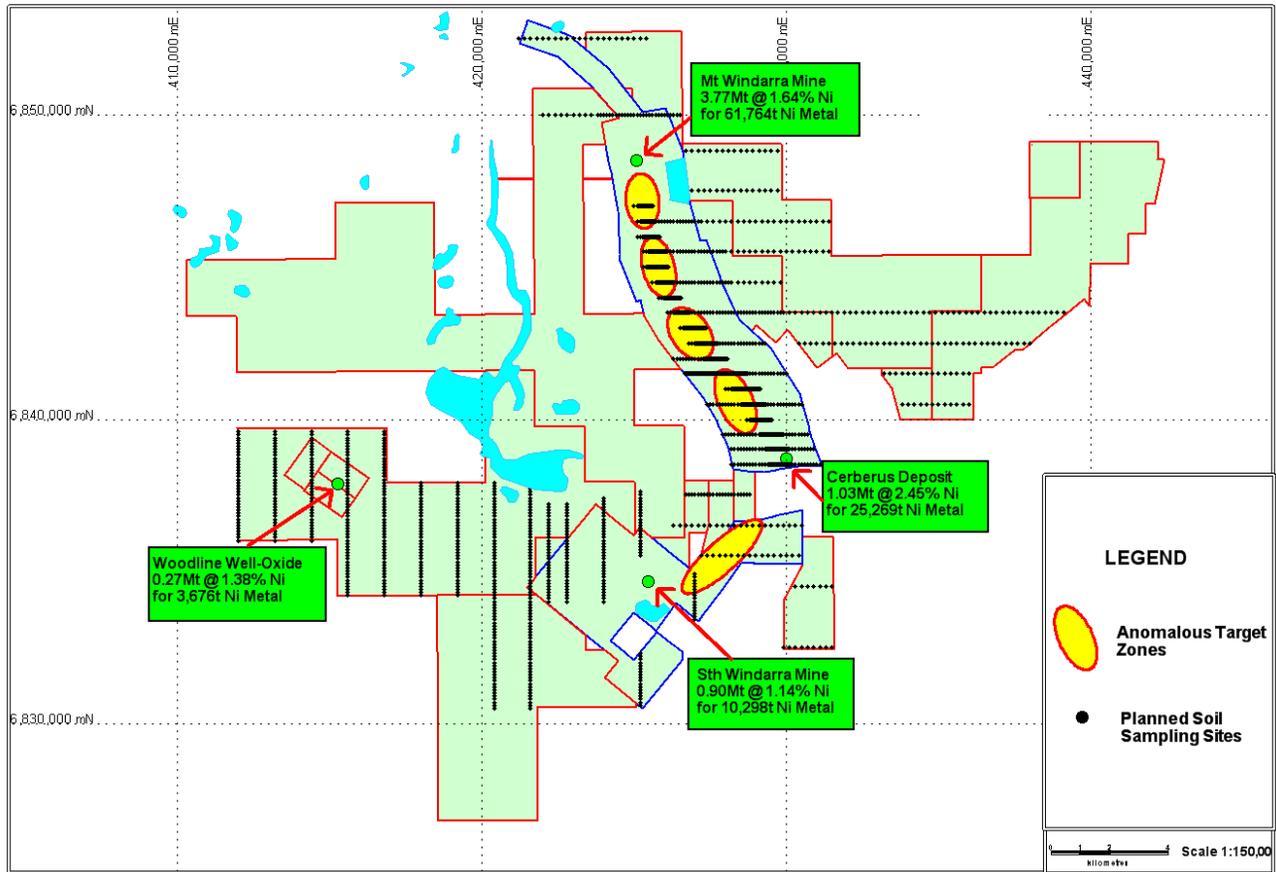
Poseidon Nickel is pleased to announce the next stage of its exploration programme at its Windarra Nickel Project with the intent of following up on its new massive nickel sulphide Cerberus ore body discovery.

In early 2009, Poseidon sought to identify the main nickel bearing lava channels believed to be positioned in the 24km strike zone between Mt Windarra and South Windarra mines. The identification of the likely lava channels was the culmination of a major exercise of compiling electronically almost 20 years of rock sampling and geochemical testing undertaken along the Ultramafic belt by Western Mining. In addition, the Company undertook its own sampling programme where data was incomplete or missing.

The data indicated 5 anomalous zones which it believes are volcanic lava channels potentially the source of underground nickel mineralisation. Poseidon subsequently drilled the first of these anomalous zones and discovered a new high grade nickel deposit. The Cerberus deposit has a JORC compliant resource of 1.03 million tonnes a 2.45% nickel for 25,269 nickel metal tonnes. It is intended to further drill this resource during 2010.

The exploration programme at the Windarra Nickel Project is intended to identify the next priority drill target for the remaining 5 untested zones. The initial work proposed will comprise of a detailed geochemical soil sampling programme to include analysis for both nickel and gold, as well as a full range of path finder elements. A detailed soil sampling programme will yield multi-element analysis at much lower detection limits than those available to previous explorers in the area. When completed this analysis will complement the existing data and greatly assist in prioritising the next nickel drill targets. The geochemical work proposed will be undertaken in partnership with Triton Gold (TON:ASX) with whom Poseidon has a cost sharing arrangement on the tenements. Triton acquired the Gold Rights on the tenements from Poseidon in 2009. The Companies expect initial work to commence in February 2010 and are in the process of negotiating contracts with third party suppliers.

CEO, David Singleton, said "We had immediate success with our previous exploration drilling in discovering the Cerberus deposit. We have 5 other anomalous zones with similar characteristics to that measured near Cerberus and are looking to get ready to drill the first of these when the additional surface test work is completed. We believe there is still much more potential at Windarra."



Tenement location plan with anomalous nickel target zones and planned soil geochemistry sample sites. The sampling covers both nickel and gold target zones.

*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.*