

QUARTERLY REPORT

31 MARCH 2010

COMPANY OVERVIEW

Poseidon is a Nickel exploration and development company focussed 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.

To date, Poseidon has defined 97,331 tonnes of JORC code compliant nickel sulphide resources at the Windarra Nickel Project. This comprises of 61,764 tonnes of contained 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 and 10,298 tonnes of contained nickel at South Windarra.

ASX CODE: POS

*see attached resource statement



COMPANY HIGHLIGHTS

- Underground operations restarted at Mt Windarra
- A\$2 million capital raised for interim working capital
- Exploration recommenced in February 2010
- Geochemical soil sampling programme completed

- Essential equipment has been installed in the underground decline over the past few weeks and dewatering has recommenced after a period of testing. In addition, further mining equipment has been delivered to the site so that decline refurbishment can recommence at the appropriate time.
- On 1 March 2010 the Company undertook a capital raising for A\$2 million through the issue of 8,000,000 shares to professional and sophisticated investors at an issue price of A\$0.25 per share. The placement was undertaken within the Company's 15% placement capacity and the capital raised will be used by the Company for interim working capital.

EXPLORATION UPDATE

- The Company is pleased to announce that the first stage of its 2010 exploration programme has concluded at the Windarra Nickel Project. A detailed geochemical soil sampling programme was completed over a large portion of the companies Windarra tenements (Figure 1). The work was undertaken by Jeandrex Field Services and Poseidon's geologists. The soil sampling is intended to geochemically map the host rocks of the Windarra Nickel Belt and assist Poseidon's geologists in identifying the next priority drill targets as a follow up on the Company's new nickel sulphide ore body discovery at Cerberus.
- In total 2,106 geochemical soils samples (including QAQC samples) were collected from insitu material and sieved to -250 μ in the field. The soil samples were despatched to ACME Laboratories in Canada and were analysed for 36 elements which included nickel and gold, as well as a full range of path finder elements. This detailed soil sampling programme will yield multi-element analysis at much lower detection limits and higher quality than was available to the previous explorers in the 1970-1980s. The result are currently being modelled and interpreted. This detailed analysis will complement the existing historic data and greatly assist in prioritising the next nickel drill targets.
- To date Poseidon has identified 5 anomalous zones from the historic data which are positioned in the 24km strike zone between Mt Windarra and South Windarra Mines (Figure 1). It believes these anomalies are volcanic lava channels which are potentially the source of underground nickel mineralisation. Poseidon drilled the first of these anomalous zones in 2008 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 (Table 1). It is intended to further drill this resource during 2010.

- Analytical techniques by modern laboratories have improved significantly since the original historic sampling was conducted at Windarra and the resultant multi-element and pathfinder element analysis will allow Poseidon’s geologists to geochemically “map” the rocks of the Windarra Belt, providing a more detailed, timely and cheaper option than drilling alone. By carefully interpreting the returned data and using elemental ratios which are associated with other nickel rich belts such as Cosmos, Leinster, Forrestania and Kambalda, the geologists can confirm the surface presence of potentially fertile lava channels. This reduces the cost of drilling by accurately targeting only the prospective nickel areas within the belt.
- The geochemical work has been 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 Company will update the market on the results of the soil sampling programme once the analytical data has been modelled and interpreted.

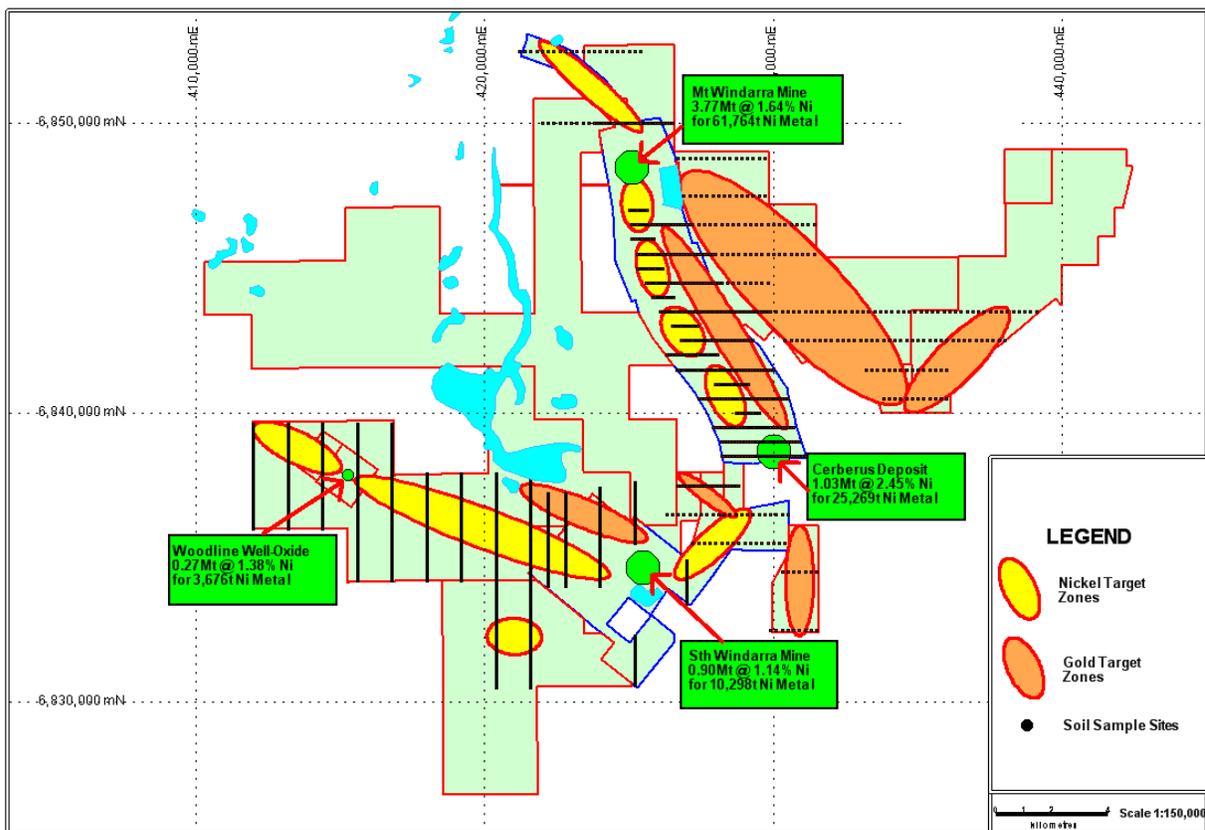


Figure 1: Tenement location plan with anomalous nickel target zones and planned soil geochemistry sample sites. The sampling covers both nickel and gold target zones.

Table 1: Windarra Nickel Project Resource Statement

Windarra Nickel Project Sulphides	Cut Off Grade	Resource Category								
		Indicated			Inferred			TOTAL		
		Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Mt Windarra	0.75%	1,017,429	1.24	12,578	2,751,087	1.79	49,185	3,768,516	1.64	61,764
South Windarra	0.90%	820,326	1.15	9,434	82,404	1.05	864	902,730	1.14	10,298
Cerberus	1.50%				1,033,328	2.45	25,269	1,033,328	2.45	25,269
Total Sulphide		1,837,755	1.20	22,012	3,866,819	1.95	75,318	5,704,574	1.71	97,331

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

- Poseidon has already completed approximately 20% of the necessary refurbishment work at Mt Windarra and is intending to complete the remaining work prior to recommencing drilling the resource from underground. The nickel deposit has previously been extensively drilled from the surface and the Company is now seeking to complete the final underground resource drilling necessary before making a decision to commence mining.
- During the period that the site has remained on care and maintenance there has been no significant deterioration of the rehabilitated decline and the underground water level has remained below the point in the decline at which the refurbishment was stopped. Dewatering has now recommenced to ensure that the water level will remain sufficiently ahead of the refurbishment work.

FINANCIAL

- The Company had cash on hand totalling approximately \$1.9 million as at 31 March 2010.
- Having undertaken the recent capital raising for A\$2 million and following discussions with potential investors, the Company remains confident that the necessary funding required to finalise the underground refurbishment and undertake future development activities will be available.

MARKET INFORMATION

- Figure 4 below shows the underlying correlation between Poseidon's share price and the LME Nickel price over the last 18 months.

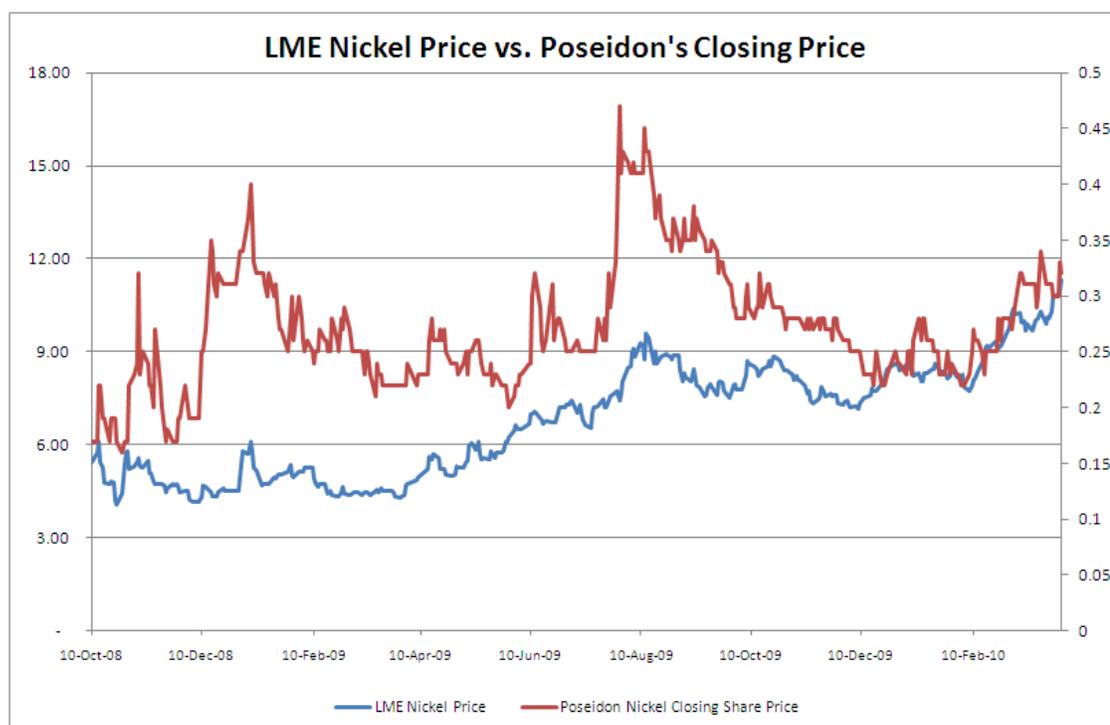


Figure 4

CORPORATE

- In line with Poseidon's policy to only pay Directors fees in shares in order to retain the cash reserves of the Company, 214,096 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 20 January 2010 at a deemed issue price of \$0.2816, 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 intended to reduce the cash cost to the Company.
- In addition to the above, 243,792 Fully Paid Ordinary Shares were issued to Whittle Consulting Pty Ltd for services provided for assessing mining optimisation.



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

28 April 2010

Enc

<p><u>CORPORATE DIRECTORY</u></p>		<p>Principal Office Unit 8, Churchill Court 331-335 Hay Street SUBIACO WA 6008 P: 61 8 9382 8799 F: 61 8 9382 4760</p>												
<p>Director / Senior Management</p> <table border="0"> <tr> <td>David Singleton</td> <td>Managing Director & Chief Executive Officer</td> </tr> <tr> <td>Andrew Forrest</td> <td>Non-Executive Chairman</td> </tr> <tr> <td>Geoff Brayshaw</td> <td>Non-Executive Director</td> </tr> <tr> <td>Richard Monti</td> <td>Non-Executive Director</td> </tr> <tr> <td>Chris Indermaur</td> <td>Non-Executive Director</td> </tr> <tr> <td>Ross Kestel</td> <td>Company Secretary</td> </tr> </table>		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	<p>Registered Office Level 2, Spectrum 100 Railway Road SUBIACO WA 6008 P: 61 8 9367 8133 F: 61 8 9367 8812</p>
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													
<p>Corporate Enquiries Mr David Singleton – MD & CEO P: 61 8 9382 8799 F: 61 8 9382 4760 E: admin@poseidon-nickel.com.au</p>		<p>Media Enquiries Mr Paul Downie FD Third Person P: 61 8 9386 1233 M: 0414 947 129 E: paul.downie@fdthirdperson.com.au</p>												
<p>Shareholder Enquiries Enquiries concerning shareholdings should be addressed to:</p> <p>Computershare Investor Securities GPO Box D182, Perth WA 6840 P: 61 8 9323 2000</p>		<p>Home Exchange The Company's shares are listed on the Australian Stock Exchange and the home exchange is Perth ASX code: POS</p>												

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 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(642)	(1,661)
(b) development	-	-
(c) production	-	-
(d) administration	(642)	(1,951)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	23	96
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - R & D tax concession received	-	329
- Insurance recovery	-	100
- Sundry income	18	48
Net Operating Cash Flows	(1,243)	(3,039)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	(1,000)
(b) equity investments	-	-
(c) other fixed assets	-	(14)
1.9 Proceeds from sale of:		
(a) prospects	-	300
(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	-	(714)
1.13 Total operating and investing cash flows (carried forward)	(1,243)	(3,753)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,243)	(3,753)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,199	2,199
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	46
1.17	Repayment of borrowings	(32)	(84)
1.18	Dividends paid	-	-
1.19	Other - share issue costs	(37)	(37)
	Net financing cash flows	2,130	2,124
	Net increase (decrease) in cash held	887	(1,629)
1.20	Cash at beginning of quarter/year to date	1,036	3,552
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,923	1,923

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	116
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 20 January 2010, 214,096 ordinary shares were issued at a price of \$0.2816 per share as approved by the Shareholders at the November 2009 Annual General Meeting. The shares were issued to the Non-Executive Directors in lieu of Directors Fees for the December 2009 quarter. This has not been included in the above cash flow.

On 1 March 2010 the Company undertook a capital raising for A\$2 million through the issue of 8,000,000 shares to professional and sophisticated investors at an issue price of \$0.25 per share. The placement was undertaken within the Company's 15% placement capacity (see 1.14).

The remaining proceeds from the issue of shares (see 1.14) relates to payment for the balance of unpaid capital for 4,966,700 Partly Paid shares.

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	800
4.2 Development	-
Total	800

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	1,923	1,036
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	1,923	1,036

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	171,137,954 50,000 5,517,200	170,824,823 50,000 5,517,200	\$0.102 \$0.102	\$0.002 \$0.062
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	8,457,888	8,457,888		
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	\$0.92	5 December 2011
Listed	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>				
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: 28 April 2010

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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