POSEIDONNICKEL

18th January 2011

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

Dear Sir

Re: CERBERUS DRILLING UPDATE – RESULTS CONTINUE TO IMPROVE

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 Securities Exchange and the home exchange is Perth
ASX code: POS

ASX Announcement 18th January 2011

Cerberus Drilling Update - Results Continue to Improve.
JORC Recalculation Required

Poseidon Nickel Limited (Poseidon) is pleased to announce that final results of the 2010 drilling campaign from the Cerberus nickel deposit have delivered continued improvements.

A best result of **4.07m @ 3.00%** nickel was intersected in PND0104 which includes **1.57m @ 5.42%** nickel at the base of the mineralised channel (Table 1). This intersection occurs within the core of the upper high grade zone of mineralisation (Figures 1 & 2). This supports the previously announced result in holes PNDRC0088 and PNDRC0089 which returned better than expected nickel grades.

The Cerberus resource currently stands at 1 million tonnes at 2.45% Ni for 25,269 tonnes Ni of Inferred Resources (Table 2).

Poseidon Chief Executive Officer, Mr David Singleton, said the results of the drilling campaign will require a resource re-calculation, to commence in the first quarter of 2011, which would be expected to lead to an expansion of the JORC compliant resource.

The drilling programme at Cerberus comprised of six drill holes which aimed to extend the interpreted boundaries and test the grade and continuity of the upper zone of mineralisation in order to expand the size of the resource as well as potentially increasing its JORC status.

These drill holes have successfully confirmed the real potential for growing the Cerberus resource nearer to surface than the earlier geological modelling estimates (Figure 2).

Table 1: Cerberus Significant Intersections

Hole Id		m From	m To	Length	%Ni	mpc	Comment
PNRCD0088		176.55	178.18	1.63	2.03	3.3	
PNRCD0089		216.17	219	2.83	3.24	9.2	
	incl	*217*	*218*	*1.00*	*4.91*		High grade core
		228.36	228.7	0.34	0.99	0.3	footwall stringer
PND0102		237.89	238.38	0.49	1.77	0.9	Upper Lode
		240.3	246	5.70	0.75	4.3	Central Lode
		247.55	251.95	4.40	1.32	5.8	Lower Lode
	incl	*250.17*	*251.95*	*1.78*	*2.49*		
PND0103		294.77	298.13	3.36	0.84	2.8	Upper Lode
		304	306	2.00	1.18	2.4	Lower Lode
PND0104		243.5	247.57	4.07	3.00	12.2	Lower Lode
	incl	*246*	*247.57*	*1.57*	*5.42*		High grade Base
PND0105		172.75	174.12	1.37	3.55	4.9	Lower Lode
	incl	*173.72*	*174.12*	*0.4*	*5.25*		High grade Base

Note: mpc = length x % Ni.

Currently high grade mineralisation has been intersected at a vertical depth of 160m below surface and potential exists in the southern up-dip position to bring mineralisation to within 100-120m of the surface greatly assisting in the potential economic viability of the deposit.

The upper high grade zone is open in a number of directions and requires additional drilling. Potential also exists to link the upper and lower high grade zones to form a continuous zone as there is no drilling along sections through 6839000mN or 6839200mN.

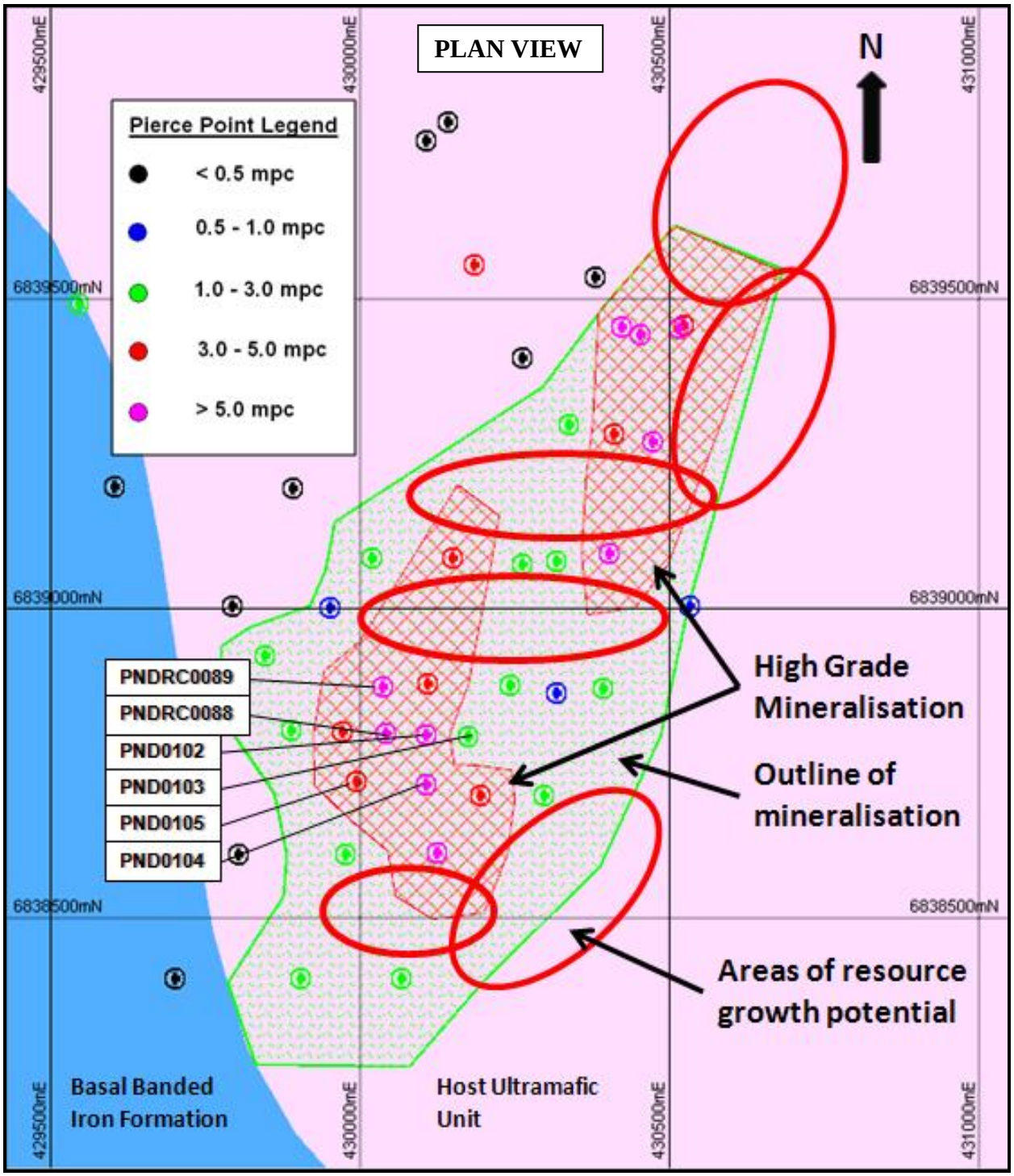

Figure 1: Plan view of the Cerberus Deposit showing outline of mineralisation and recent intersection locations. Intersection pierce points are coloured by thickness (m) x nickel % grade (pc) to define the grade-thickness contours of the deposit (ie. 2m @ 2% Ni = 4 mpc).

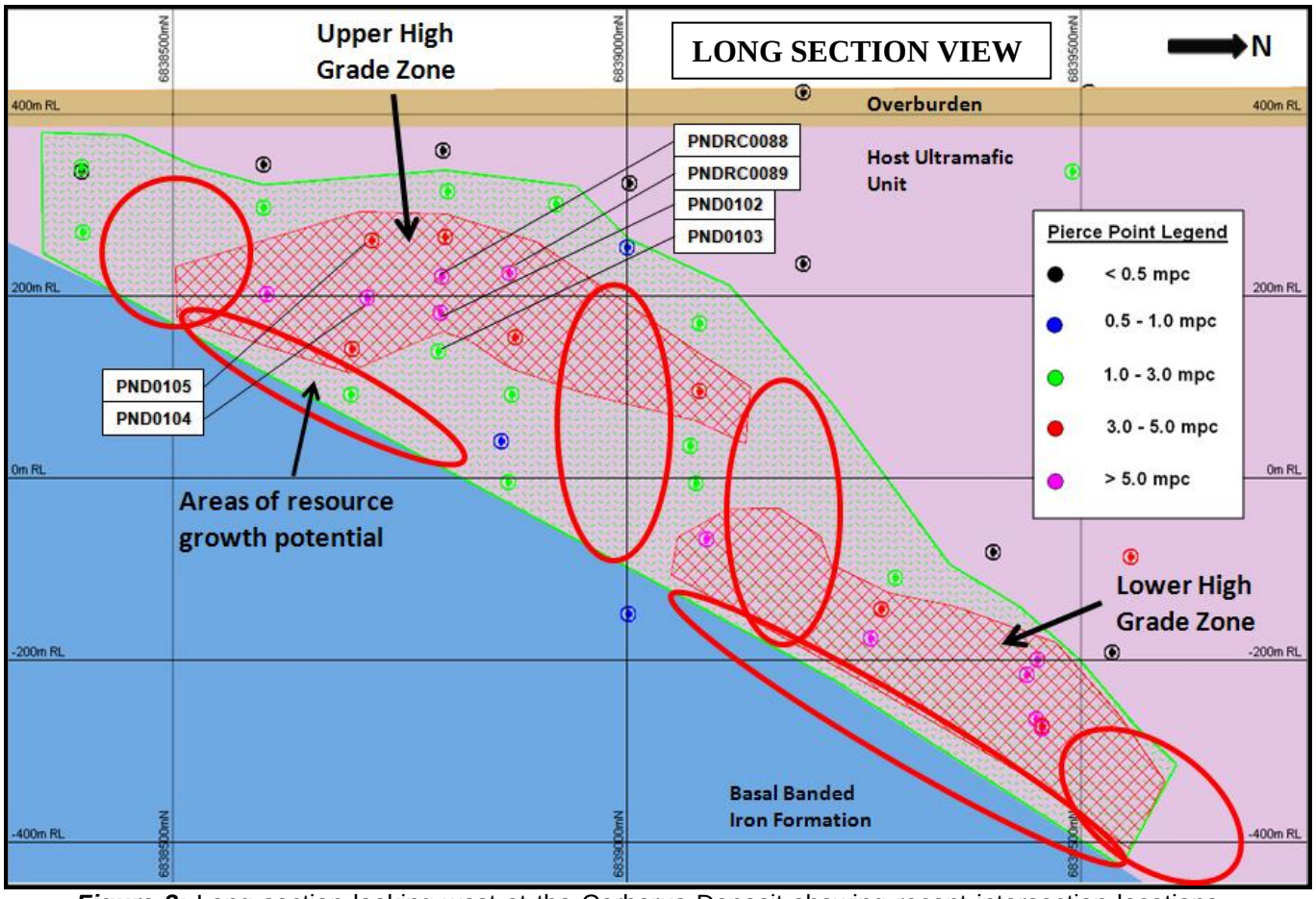

Figure 2: Long section looking west at the Cerberus Deposit showing recent intersection locations. Opportunity to extend the resource exists in the up-dip southern area were the deposit could come to within 100m of the surface. The two high grade zones may link up as the central area is untested as well as the down-dip deeper positions.

Table 2: 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%	910,000	1.24	11,300	2,955,000	1.72	50,900	3,865,000	1.61	62,200
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		**1,730,326**	**1.20**	**20,734**	**4,070,732**	**1.89**	**77,033**	**5,801,058**	**1.69**	**97,767**

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.