

23rd March 2011

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

Dear Sir

Re: BIGGEST YET DIAMOND DRILLING PROGRAMME FOR WINDARRA

We enclose herewith a copy of an announcement in relation to the above.

Yours faithfully



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

Enc

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

Mr David Singleton – MD & CEO
P: 61 8 9382 8799
F: 61 8 9382 4760

E: 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

Unit 8, Churchill Court
331-335 Hay Street
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
F: 61 8 9367 8812

Media Enquiries

Mr Paul Downie
FD Third Person
P: 61 8 9386 1233 M: 0414 947 129
E: paul.downie@fd.com.au

Home Exchange

The Company's shares are listed
on the Australian Securities Exchange
and the home exchange is Perth
ASX code: POS

ASX Announcement

23rd March 2011

Biggest Yet Diamond Drilling Programme for Windarra

Poseidon Nickel is pleased to announce that it has committed to the biggest drilling programme to be undertaken at Windarra since the 1980's. Poseidon has entered into a contract for a diamond drill rig to operate 24 hours a day for up to two years, in a programme which in terms of numbers of metres drilled, could double the total diamond drilling work carried out on the site since its acquisition in 2005. The drill programme at Mt Windarra commenced on Sunday 20th March 2011.

Poseidon Managing Director and CEO, Mr David Singleton, said it will be the most expansive resource definition and exploration programme commitment made for Windarra and follows the success of the recent drilling results.

Mr Singleton said Poseidon has already identified largest, high grade nickel sulphide resource of any exploration company in Australia.

"We have an embarrassment of riches when it comes to drilling targets," Mr Singleton said.

The Objective of the drilling programme is as follows:

1. Expand the early year's resources at Mt Windarra to support Phase 1 of the production programme.
2. Continue to develop the new Cerberus ore body to support Phase 2 of the production programme.
3. Develop the South Windarra extension drill programme after the seismic analysis has been completed.
4. Follow up the 7 lava channel anomaly targets identified in 2010.

Since the project was acquired, Poseidon has spent approximately \$30,000,000 on drilling and associated project activities and now has a JORC compliant resource of 97,767 tonnes of contained nickel.

The resource includes the Cerberus deposit, discovered in 2008 by Poseidon during its first regional exploration programme and is the first new deposit to be discovered on the tenements since the early 1980s.

"These successes have demonstrated what can be achieved with the right combination of excellent geologists, application of up to date technology and corporate determination," Mr Singleton said.

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 and Mr I Glacken who is a Fellow of the Australasian Institute of Mining and Metallurgy as well as a full time employee of Optiro Pty Ltd. Mr Hutchison and Mr Glacken both have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are 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.' Mr Hutchison and Mr Glacken have 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 Securities Exchange has not received and does not accept responsibility for the accuracy or adequacy of this release.

Windarra Nickel Project Sulphides	Resource Category								
	Indicated			Inferred			TOTAL		
	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Total Sulphide	1,730,326	1.20	20,734	4,070,732	1.89	77,033	5,801,058	1.69	97,767