

9th June 2011

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

Dear Sir

Re: METALLURGICAL TESTING CONFIRMS CERBERUS POTENTIAL

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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Media Enquiries

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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

9th June 2011

Metallurgical Testing Confirms Cerberus Potential

- **Cerberus deposit at 37,970 tonnes contained nickel JORC compliant resource**
- **20,000 metre drilling programme to test extensions and define initial Indicated and Measured resource**
- **Flotation test work carried out on representative Cerberus core indicates ability to produce a high quality, smeltable concentrate**

Poseidon Nickel Limited (ASX:POS) is pleased to announce the positive results from initial flotation test work completed for the Cerberus Nickel sulphide ore body discovered at the Windarra Nickel project. This test work demonstrated a greater than 80% nickel recovery at a nickel concentrate head grade of 18% achieved in less than 5 minutes. This result has supported a decision to significantly expand the drilling programme at Cerberus.

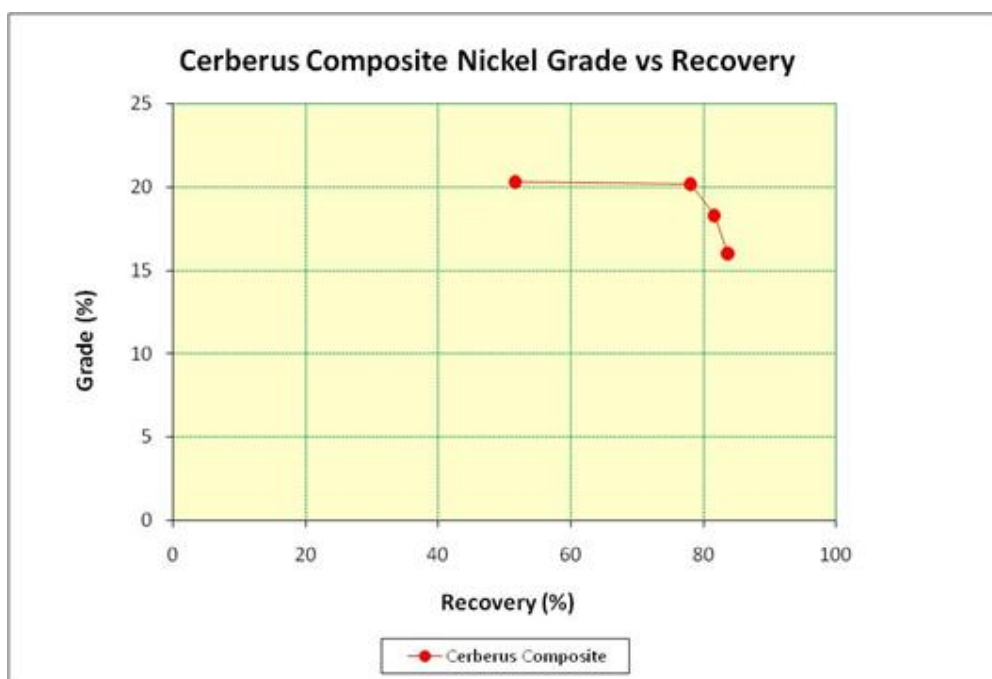
David Singleton, Managing Director and CEO of Poseidon Nickel said “These results continue to support our belief that Cerberus could be mined and processed shortly after we have commissioned the Mt Windarra mine. The development of this new ore body is now progressing very quickly. We expect to complete sufficient drilling over the next few months so that we can undertake a mine reserve study later this year targeting a Cerberus mine start up in 2013.

The metallurgical composite sample was characterised by Roger Townend and Associates Consulting Mineralogist and the flotation test was carried out by SGS Lakefield Oretest in Perth.

The flotation test work results confirmed that a high quality smeltable concentrate could be produced with low levels of impurities. The grade recovery curve (see graph below) obtained from the test work results demonstrated that greater than 80% nickel recovery could be achieved in less than 5 minutes producing a clean concentrate with an associated nickel head grade of approximately 18%.

As infill drilling of the Cerberus orebody progresses further test work is planned to confirm that the flotation results are reproducible and consistent across the deposit.

Poseidon has recently reported an approximate 50% increase to the newly discovered Cerberus deposit at the Windarra Nickel Project, with approximately 40% of the ore body now at an Indicated JORC level. As a result, Poseidon has announced that a major drilling programme of 20,000 metres of diamond and R.C. is underway to test the extensions of the known resource and to bring it up to an Indicated and Measured category, prior to commencing formal mine planning.



Further metallurgical detail including the element analysis of the test cores will be detailed in the company's next quarterly report.

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	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	10,300
Cerberus	1.25%	756,360	1.62	12,264	1,092,500	2.35	25,707	1,848,816	2.05	37,970
Total Sulphide		2,486,686	1.33	32,998	4,129,904	1.88	77,471	6,616,546	1.67	110,470