

QUARTERLY REPORT

30 JUNE 2011

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 110,470 tonnes of JORC code compliant nickel sulphide resources at the Windarra Nickel Project. This comprises of 62,200 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 37,970 tonne nickel resource at the Cerberus deposit and 10,300 tonnes of contained nickel at South Windarra.

ASX CODE: POS

*see attached resource statement



COMPANY HIGHLIGHTS

- All studies to complete Mt Windarra feasibility study well advanced
- NFC Concentrator proposal and debt funding negotiations now well advanced
- Negotiations with potential financiers for the remaining project funding underway with Term Sheets provided
- 50% increase to the Cerberus resource from previous drilling programme. Mineralised ore body has a defined width of 450m and extends for 1400 metres
- Further 20,000 metre Cerberus drilling programme underway with evidence of potential further expansion
- Metallurgical testing confirms Cerberus potential with initial flotation tests achieving over 80% recovery
- Mine refurbishment pressing ahead and on schedule to complete this year

- Poseidon has continued to work with Arcon WA Pty Ltd (“Arcon”) and China Nonferrous Metal Industry’s Foreign Engineering and Construction Co Ltd (“NFC”) under the terms of the non-binding Memorandum of Understanding (“MOU”) signed in April 2011 to establish the cost and programme for delivery of a flotation concentrator and associated infrastructure to be installed at the Windarra site. All of the necessary studies required to complete the feasibility study required for Mt Windarra, establish the fixed price Engineering, Procurement and Construction Contract (“EPC Contract”) and also to enable the submission of the Works Approvals for the recommencement of mining and processing operations at Mt Windarra are well advanced.
- These studies will be completed over the coming months and will be supported by the commencement of underground drilling at Mt Windarra once the mine refurbishment is far enough progressed to allow access for the drill rigs and the continuation of resource drilling at Cerberus for Stage 2 of the project.
- A summary of the main studies underway for Mt Windarra are as follows:

Study	Vendor
Engineering	Arcon
Mine Planning	Rock Team
Geotechnical	Beck Engineering
Tailings	Coffey Mining
Environmental	MBS
Testwork	SGS
Ore Sorting	CommodasUltrasort

- Poseidon has entered into discussions with a number of financiers to put in place the formal funding required for the project finance required to complete the Windarra Nickel Project (“WNP”). Discussions with these parties are progressing well and detailed term sheets are presently being negotiated. The financing package for the process plant envisaged under the NFC agreement is also well advanced.
- Poseidon is also progressing discussions with a number of parties in relation to the assignment of off-take from the WNP. Draft offtake terms have been received and are currently being assessed against the requirements of the project.

OPERATIONS

- Mine dewatering and refurbishment has continued following the restart in March 2011 with significant progress being achieved as the water level has now been reduced to 166m vertically and a total of approximately 1.2 kilometres of decline successfully refurbished.
- To enable the next stage of the dewatering to be completed to a vertical depth of 450m, a large 300kw multistage submersible pump and rising main have been installed in the Windarra haulage shaft with the capability of pumping up to 50 litres a second. This pump will enable the mine to be dewatered to below the old underground crusher area and provide access to a suitable drilling platform for the reserve drilling of Mt Windarra Deeps.
- Access to the old D300 explosives magazine area which is connected to the V544 ventilation raise has also been successfully achieved. In addition, the decline refurbishment reached the D280 exploration drive.
- Accessing the V544 ventilation raise at D300 has enabled a refurbished Howden centrifugal surface fan to be installed on the collar of the V544 raise to re-commission the mine's ventilation circuit. The fan is drawing air up from D300 allowing the 110kw ventilation fan at the portal to be relocated further along the decline just above D300 providing the ventilation for the next 1,200m section of decline refurbishment.
- In conjunction with the fan installation, the 11kV power distribution system was extended to supply power to an underground substation that has been located in the old D300 crib room. The power required for the newly installed equipment is being provided by two new 820kVA Cummins diesel generators which were commissioned during the quarter.
- 16 transportable accommodation units have been installed and are scheduled to be occupied during July to accommodate the personnel required to carry out both the mine refurbishment and ore resource drilling.

EXPLORATION UPDATE

- Poseidon announced a 50% upgrade of the Cerberus Resource which now stands at **1.85Mt at 2.05% nickel for 38,000t** of contained nickel metal above a 1.25 %Ni cut-off grade (Table 1). The upgrade follows further drilling at the resource completed in late 2010 and completion of an independent resource calculation undertaken by Optiro Pty Ltd. As a result the total nickel sulphide content at the Windarra Nickel Project now stands at 110,500t of contained nickel metal (Table 2).
- As a result of the additional drilling, the current estimate now includes an Indicated Mineral Resource which represents 40% of the defined deposit. This Indicated resource is based on the improved geological continuity and confidence, the data density and drill spacing as well as the estimation confidence and kriging efficiency within the core zone. The subdivision of Indicated and Inferred categories, together with the drill hole traces are shown below in Figure 1.

Table 1: Cerberus Resource Statement above cut-off grades of 1.25%

Cerberus Deposit	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
Optimum cut-off grade used	1.25%	756,360	1.62	12,264	1,092,500	2.35	25,707	1,848,816	2.05	37,970

*Note: Minor errors in totals exist due to rounding.

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	10,300
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

*Note: Minor errors in totals exist due to rounding.

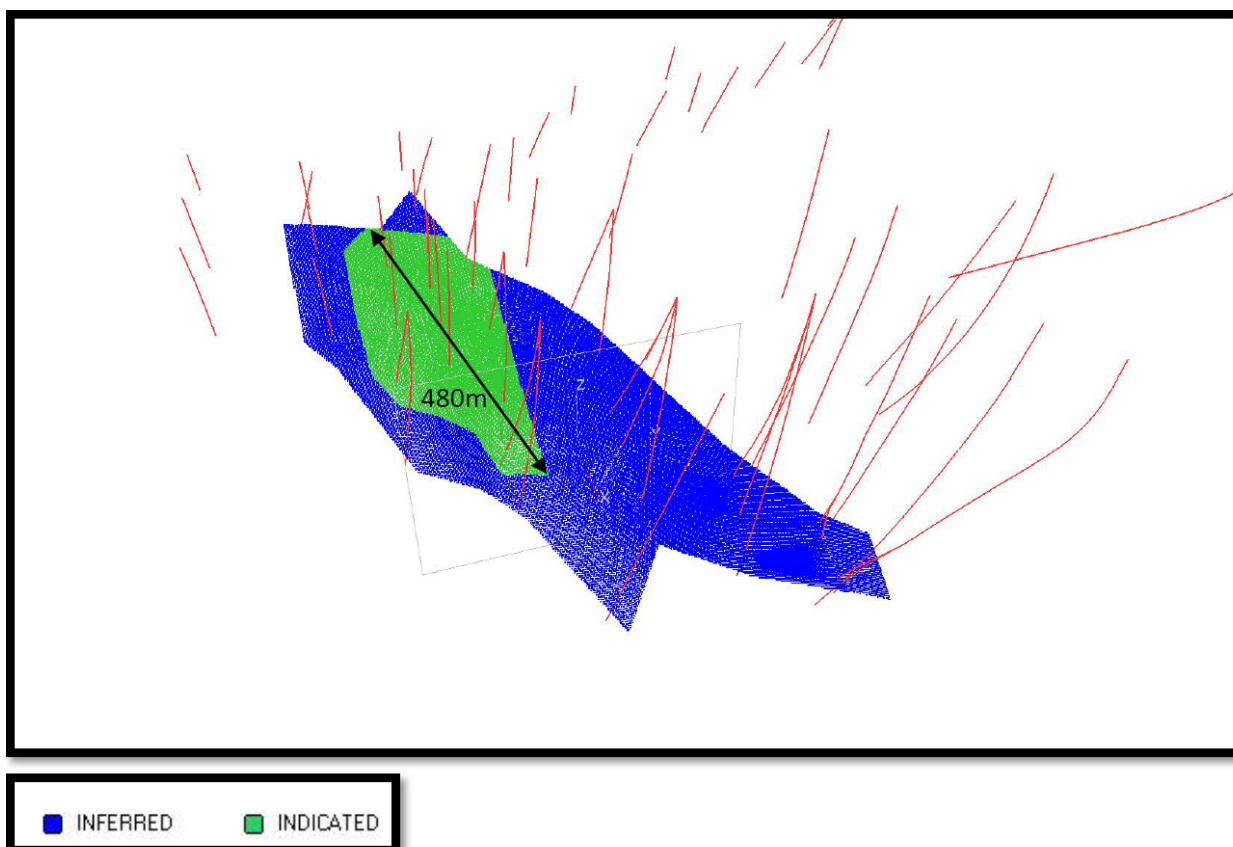


Figure 1: Resource classification at Cerberus for the main footwall lens (3D view looking from above towards the North-West).

- Poseidon is also pleased to provide an update of drilling progress at the Company's Cerberus Deposit at the Windarra Nickel Project. Drilling at Cerberus recommenced on the 1st May 2011 and to date ~6000m of drilling has been completed with 30% of the program consisting of RC precollars and 70% being diamond drill tails through the mineralised zones. Utilising the RC rig on a campaign basis for precollars has been a cost efficient and time saving venture, with the RC rig returning to Cerberus at the start of August to complete phase 2 of the drill out plan.
- Drilling to date has focussed on defining mineralisation close to the surface in the up dip positions. This has successfully extended the deposit ~100m to the south, ~75m to the west as well as ~75m to the south-east as shown on Figure 2 and as defined by the intersections in Table 3 which have been returned from the laboratory so far. Interestingly there are several high-grade, albeit narrow, intersections on the edge of the deposit where mineralisation was not anticipated. These recent intersections bring the Cerberus mineralisation to within 70-80m of the surface. The mineralised orebody has a defined width of ~450m across and now extends continuously down plunge for 1,400m. The mineralisation is currently open at depth and the nickel grades increase with depth.
- Stage 1 drilling of the upper Cerberus Area is almost complete, with Stage 2 commencing with the arrival of the RC rig which will infill drill the deeper middle (northern) zone down to a vertical depth of ~430m below the surface. There is minimal drilling in this area and it is anticipated that the drilling will extend the continuity between the Upper and higher grade Lower Zones to form a continuous mineralised zone. Stage 2 of the drilling program will focus on completing drilling between sections 6839000mN and 6839200mN (Figure 2) as well as infilling key data voids in the upper portion of Cerberus (red dots on Figure 2).
- The Cerberus deposit comprises two lenses of relatively flat lying and north-easterly plunging mineralisation. The upper unit consists of disseminated nickel sulphide whilst the lower unit typically consists of stringer to massive nickel sulphide mineralisation. Both are hosted within the Windarra Ultramafic unit. The mineralisation occurs close to but above the basal contact with the underlying Corridor Ultramafic unit.
- As previously announced Poseidon has committed to undertaking approximately 20,000 metres of reverse circulation (RC) and diamond drilling at Cerberus with the aim of converting much of the upper zone of Cerberus (to 450 m below surface) to an Indicated JORC category and to define the upper and edge limits of the mineralisation as described above. The drilling is targeted at further extending the size and quality of the resource prior to undertaking conceptual mine planning later this year.

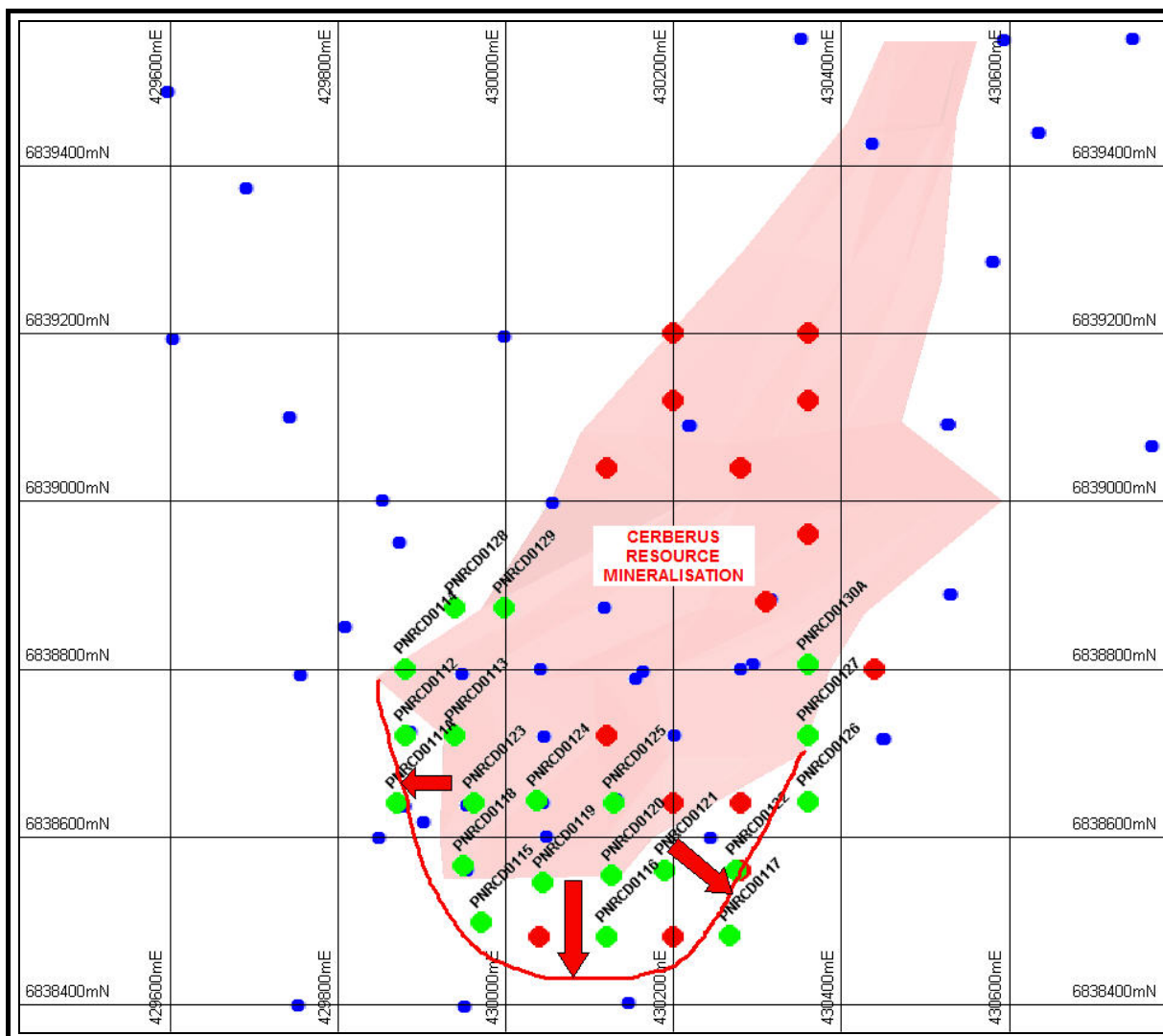


Figure 2: Plan view of Cerberus showing outline of JORC defined mineralisation in pink, previous drill collars (blue dots), Stage 1 completed drill collars (green dots) and Stage 2 collars to be completed (red dots). Recent drilling has extended mineralisation to the south and closer to surface as defined by the red line and arrows.

- Metallurgical core samples will also be collected for engineering and mineral recovery testwork in preparation for the economic evaluation of the Cerberus Deposit. However, results from initial flotation testwork completed 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 the decision to significantly expand the drilling programme at Cerberus.

Table 3: Cerberus Significant Intersections - 2011

Hole Id		m From	m To	Length	%Ni	Comment
PND0112		82.50	84.51	2.01	2.46	Lower Lode
	<i>incl</i>	83.61	84.51	0.90	4.42	High grade Base
PND0113		111.73	112.60	0.87	1.25	Upper Lode
		116.64	118.44	1.80	1.15	Lower Lode
	<i>incl</i>	118.15	118.44	0.29	2.68	At Base
PNRCD0115		102.72	105.20	2.48	1.20	Lower Lode
PNRCD0116		150.77	151.62	0.85	5.56	New Zone
		159.91	161.95	2.04	0.91	Upper Lode
		170.48	171.90	1.42	1.75	Lower Lode
PNRCD0117		240.72	242.00	1.28	0.92	Lower Lode
PNRCD0118		88.54	89.00	0.46	1.28	Lower Lode
PNRCD0119		125.07	126.5	1.43	1.32	Upper Lode
		131.21	132.18	0.97	1.02	Lower Lode
PNRCD0120		185.5	187.74	2.24	1.06	Upper Lode
		188.73	189.17	0.44	1.01	Lower Lode
PND0130A		331.25	334.23	2.98	1.74	Lower Lode

Note: The information in this report relates to Exploration Results and Mineral Resources based on information compiled by Mr N Hutchison, General Manager of Geology for Poseidon Nickel, 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 reviewed and does not accept responsibility for the accuracy or adequacy of this release.

FINANCIAL

- As at 30 June 2011, the Company had cash and receivables of \$14.9 million which includes cash on hand of \$14.2 million plus an interest bearing receivable of \$0.75 million that is held in escrow from the sale of the Ghana gold project to Hodges Resources. The Company continues to work with the Minerals Commission in Ghana to satisfy the conditions of the sale agreement and the extension to the exploration licence has now been approved and the remaining approvals to enable completion of the transaction are expected to be finalised shortly.

MARKET INFORMATION

- Figure 4 below shows the underlying correlation between Poseidon's share price and the LME Nickel price over the last 15 months.

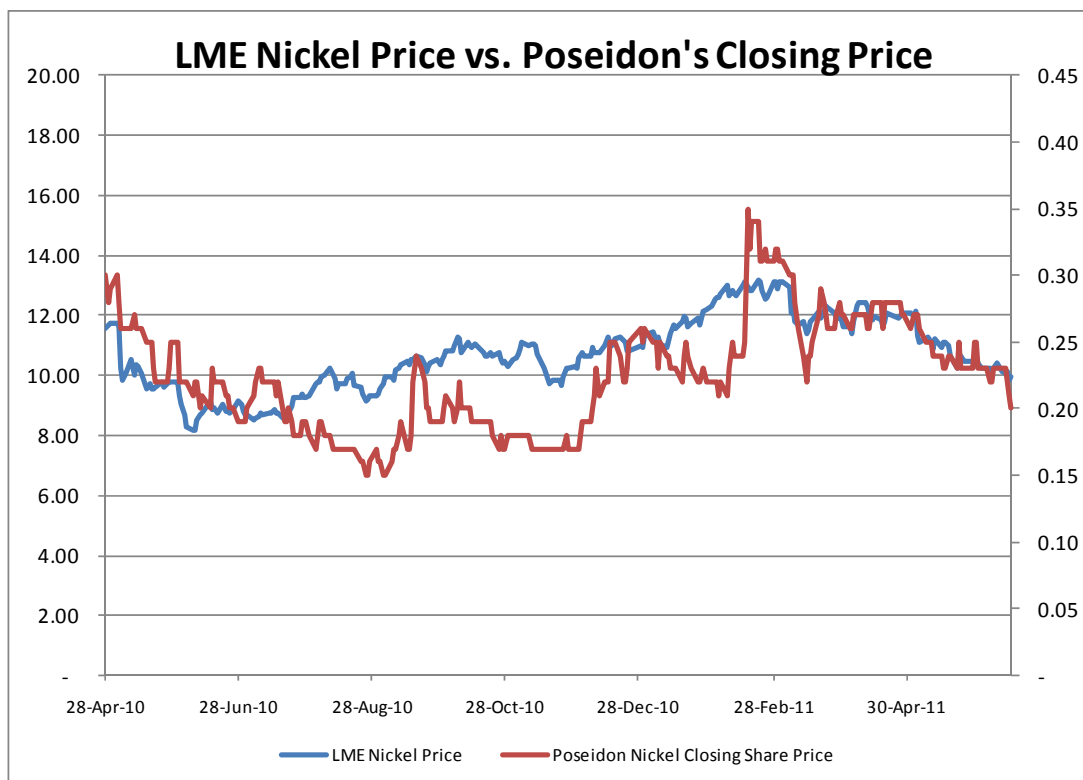


Figure 4: Poseidon share price graph

CORPORATE

- In line with Poseidon's policy to only pay Directors fees in shares in order to retain the cash reserves of the Company, 212,200 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 14 April 2011 at a deemed issue price of \$0.2954, 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.

David P.A. Singleton
 Managing Director & CEO

29th July 2011

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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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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

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/2010.

Name of entity

Poseidon Nickel Limited

ABN

60 060 525 206

Quarter ended ("current quarter")

30 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(2,472)	(5,299)
(b) development	-	-
(c) production	-	-
(d) administration	(886)	(2,846)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	83	201
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - sundry income	26	130
Net Operating Cash Flows	(3,249)	(7,814)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	(20)
(c) other fixed assets	(678)	(780)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(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	(678)	(800)
1.13 Total operating and investing cash flows (carried forward)	(3,927)	(8,614)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,927)	(8,614)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	3,216
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings – convertible notes	-	19,484
1.17	Repayment of borrowings	(14)	(76)
1.18	Dividends paid	-	-
1.19	Other - share issue costs	-	(161)
Net financing cash flows		(14)	22,463
Net increase (decrease) in cash held		(3,941)	13,849
1.20	Cash at beginning of quarter/year to date	18,714	924
1.21	Exchange rate adjustments to item 1.20	(557)	(557)
1.22	Cash at end of quarter	14,216	14,216

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	121
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 13 April 2011, 212,200 ordinary shares were issued at a price of \$0.2954 per share as approved by the Shareholders at the November 2010 Annual General Meeting. The shares were issued to the Non-Executive Directors in lieu of Directors Fees for the March 2011 quarter. This has not been included in the above cash flow.

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

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	35,103	35,103
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	4,000
4.2 Development	-
4.3 Production	-
4.4 Administration	800
Total	4,800

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	6,212	18,710
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other – Term Deposits	8,004	4
Total: cash at end of quarter (item 1.22)	14,216	18,714

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	E28/1969	Owned	100%	Nil
6.2 Interests in mining tenements acquired or increased	L38/199	Owned	Nil	100%

+ See chapter 19 for defined terms.

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	195,401,403 50,000 375,000	195,088,272 50,000 375,000	\$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	212,200	212,200		
7.5	*Convertible debt securities <i>Unsecured</i>	36,531,904 This is an estimate only based on an average exchange rate of 1.0265. 64,945,608 This is an estimate only based on an average exchange rate of 1.0265.	- -	USD\$1.0265 USD\$1.0265	The Notes have a March 2011 six year term convertible into fully paid ordinary shares at AUD\$0.40. The Notes have a March 2011 six year term convertible into fully paid ordinary shares at AUD\$0.30.
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>
	<i>Listed</i>	6,157,403	6,157,403	\$0.92	5 December 2011
	<i>Listed</i>	1,000,000	-	\$1.96	2 July 2011
	<i>Unlisted</i>	2,500,000	-	\$0.40	31 July 2012
	<i>Unlisted</i>	9,267,436	-	\$0.25	31 August 2012
	<i>Unlisted</i>	115,000,000	-	\$0.40	19 September 2012
	<i>Unlisted</i>	533,000	-	\$1.41	22 October 2012
	<i>Unlisted</i>	2,000,000	-	\$0.80	19 December 2012
	<i>Unlisted</i>	2,975,000	-	\$0.25	31 August 2016
	<i>Unlisted</i>	4,500,000	-	\$0.25	23 November 2016
7.8	Issued during quarter				

+ See chapter 19 for defined terms.

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>				

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: 29 July 2011

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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