

13th December 2011

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

Dear Sir,

Re: WINDARRA NICKEL PROJECT – ENVIRONMENTAL APPROVAL UPDATE

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

Mr David Singleton – MD & CEO
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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

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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
FT Consulting
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E: paul.downie@fticonsulting.com

Home Exchange

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

ASX Announcement

13th December 2011

Windarra Nickel Project – Environmental Approval Update

Poseidon Nickel Limited (ASX:POS) is pleased to confirm that it has received confirmation that the Windarra Nickel Project will not require formal assessment by the Environmental Protection Agency (EPA). Environmental approval for the project will be managed under Part V of the Environmental Protection Act, 1986.

This waiver means that the Windarra Nickel Project remains on track to achieve all of the necessary mining and environmental approvals during the first quarter of 2012. The EPA waiver was first granted in 2008. Substantial changes to the project, most notably incorporation of mining activities at the Cerberus nickel deposit, meant that a re-application for a waiver was necessary. The process should now deliver a rapid assessment within the development time scales of the project.

Poseidon Nickel is developing the Windarra Nickel Project in Western Australia. The project is a higher grade nickel sulphide deposit that has demonstrated high recovery levels through a standard nickel floatation concentrator. The total current Mineral Resource is located at two positions approximately 10kms apart and includes the existing brownfields mine at Mt Windarra and a new discovery at Cerberus. Poseidon is on track to complete its definitive feasibility study by the end of 2011 and is targeting initial concentrate production in 2013. The concentrator plant to be constructed at Mt Windarra is expected to have a nameplate capacity of 700,000 tonnes of ore per annum.

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 at 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.

| 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 | 0.80% | 771,665 | 0.98 | 7,533 | - | - | - | 771,665 | 0.98 | 7,533 |
| Cerberus | 0.75% | 2,773,041 | 1.25 | 34,637 | 1,777,743 | 1.91 | 33,996 | 4,550,784 | 1.51 | 68,633 |
| Total Sulphide | | 4,454,706 | 1.20 | 53,470 | 4,732,743 | 1.79 | 84,896 | 9,187,449 | 1.51 | 138,366 |