

12 December 2012

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

Dear Sir

**Re: UNDERGROUND DRILLING RESTARTS AT WINDARRA AFTER 20 YEARS**

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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**Home Exchange**

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

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### **Underground Drilling at Windarra Restarts after 20 Years**

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- **Underground drilling has commenced at Mt Windarra from 400 metres underground with up to 31,000 metres planned**
- **Initial drill intersections expected shortly**
- **Phase 1 drilling is intended to extend the current resource and reserves at C & D Shoots and Phase 2 will explore additional mineralisation intersections under A, B, G & H Shoots**

Poseidon Nickel Limited (ASX:POS) is pleased to announce that it has restarted drilling at Mt Windarra in a high intensity programme of work likely to continue for several months. In 2008, Poseidon drilled from the surface to demonstrate the continuity of the historic C, D & G t ore bodies (see diagram) to 950m of vertical depth. The complexity and cost of drilling from the surface however led Poseidon to decide to undertake the refurbishment of the mine access decline in order that drilling from underground and much closer to the ore body, was feasible. The drilling programme is the first to be undertaken at Mt Windarra from underground in over 20 years.

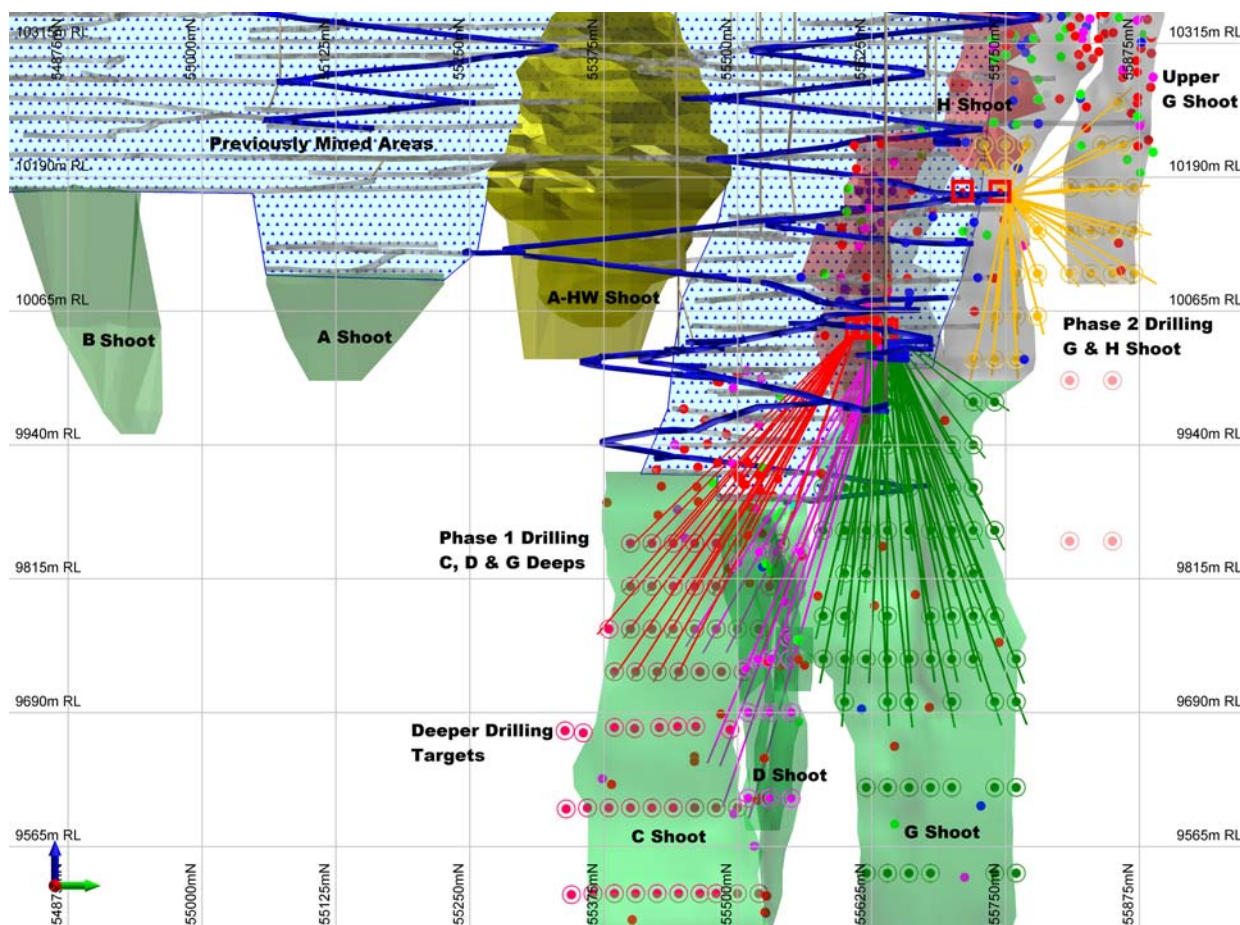
The new drilling programme has been designed to extend the resource and reserve base at Mt Windarra prior to a final decision to commence mining in 2013. Several areas in the mine previously identified as hosting additional ore resources to those already drilled have been identified and will be more extensively tested with the potential for significant expansion of the current resource base. Whilst Mt Windarra has in the past been a highly productive mine, the use of modern exploration techniques such as down hole electromagnetics, which was critical to the Cerberus mine discovery, have never been used underground in this location and are expected to greatly assist the discovery and ore expansion process.

Previous drilling at depth has yielded high grade nickel intersections including DE546 No1 10.00m @ 2.68%, EE554 No 4D 14.3m @ 4.02%, NMD0001 9.82m @ 6.06%, PND0010 5.00m @ 1.74% and PND0010C 1.55m @ 5.33%, which gives confidence in the quality of the ore body. Phase 1 of the drilling programme will follow up these results with sufficient intersections to increase the Reserves for the first 2 years of operation. Poseidon is planning up to 31,000 metres of drilling over the next few months. The first drill hole to target has been completed and results will be announced when reliable assay data is received. The current anticipated drill hole programme is shown in the attached diagram.

In Phase 2 of the programme, Poseidon will be specifically targeting extension to the recently discovered H Shoot announced earlier this year. H Shoot sits to the north of the current ore zone beyond a shear zone known as "Charlie's" and previously thought to be beyond the outer range of mineralisation. H shoot is believed to extend to the surface. Running parallel to H Shoot and the other side of Charlie's is G Shoot which Poseidon believes may extend much deeper than originally thought and therefore, if proven, could increase ore tonnes per vertical metre available to the current mine plan.

Of great interest to Poseidon are the potential extensions to A & B Shoots (see diagram) previously believed to have been mined out by WMC. General Manager of Geology, Neil Hutchison said, "Current day geological theory, which has been demonstrated time and time again in Western Australia, indicates that A & B Shoots sit in channelised lava systems, which

in Windarra’s case, extend for at least 1km underground. For A & B Shoots to terminate at approximately 300m vertical depth would be highly unusual in this setting. WMC believed that A & B Shoots have further mineralisation at depth but did not exhaustively test the theory. Our access to modern underground electromagnetics and even radar imaging techniques means that if the mineralisation is there, we will find it. An extension to A & B Shoots could dramatically improve the vertical ore mining rate being positioned so close to the current decline. This is one of the most exciting times in Windarra’s recent history.”



Poseidon Nickel is developing the first new Nickel Project in Western Australia for many years. The Windarra 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 has completed its Definitive Feasibility Study (DFS) and is targeting initial concentrate production in 2014. The concentrator plant to be constructed at Mt Windarra is expected to have a minimum throughput capacity of 700,000 tonnes of ore per annum.

**RESERVE STATEMENT**

Cerberus Nickel Project	Reserve Category - Nickel Sulphides		
	Probable		
	Tonnes	Ni% Grade	Ni Metal t
Total Sulphide	1,221,000	1.30	15,880

**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%	974,000	1.25	12,400	2,977,000	1.88	55,900	3,951,000	1.73	68,300
South Windarra	0.80%	772,00	0.98	7,500	-	-	-	772,00	0.98	7,500
Cerberus	0.75%	2,773,000	1.25	34,600	1,778,000	1.91	34,000	4,551,000	1.51	68,600
Total Sulphide		4,519,000	1.21	54,000	4,755,000	1.89	89,900	9,274,000	1.56	144,400

Windarra Gold Tailings Project	Resource Category		
	Indicated		
	Tonnes (kt)	Grade (g/t)	Au (oz)
Total Gold Tailings	10,993	0.52	182,500

*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.*