

11 July 2013

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

Dear Sir

Re: MAJOR RESERVES & RESOURCES UPGRADE AT MT 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

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

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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

11 July 2013

Major Reserves & Resources Upgrade at Mt Windarra

Highlights:

- **121% increase in Probable nickel ore reserves at Mt Windarra**
- **Reserves increased to 498,000 tonnes at 1.78% nickel for 8,850 tonnes of nickel metal**
- **17% increase in Mt Windarra Mineral Resources to 80,200 tonnes of nickel metal**
- **Increased early year production leading to improved early year cashflow and capital payback**
- **Further resource and reserve upside likely from within existing Mt Windarra orebody and from new, adjacent, drill targets**
- **Recent drilling results (not included in above upgrade)**
 - **17.53 metres at 3.52% Nickel including 5.1m at 7.1% Nickel**
 - **10.5 metres @ 4.36% Nickel**
 - **8.68% metres at 2.36% Nickel (all true widths)**
- **Original 6 month programme announced December 2012 now completed. New drill programme will commence at later stage, following review and planning.**

Poseidon Nickel Limited (ASX:POS) ("Poseidon" or "the Company") is pleased to announce a significant upgrade to reserves and resources at the Company's Mt Windarra nickel project in Western Australia.

The underground drilling programme now being completed at Mt Windarra by Poseidon has increased Probable nickel reserves to 498,000 tonnes (previously 330,000) at 1.78% (previously 1.22%) for 8,850 tonnes nickel (previously 4,000). Contained nickel metal in reserves has now increased by 121%. Of particular note is the much higher reserve grade, which is now more in line with the historical mine performance.

Windarra Nickel Sulphides	Reserve Category		
	Probable		
	Tonnes	Ni% Grade	Ni Metal t
Cerberus	1,221,000	1.3	15,900
Mt Windarra	498,000	1.78	8,850
Total	1,719,000	1.44	24,750

Table 1: Windarra Nickel Project Reserve Ore Statement

Total resources (Indicated and Inferred) at Mt Windarra have increased by 19% to 4.8 million tonnes at 1.68% for 80,200 tonnes of nickel (Table 2).

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%	1,217,000	1.39	17,100	3,553,000	1.78	63,100	4,770,000	1.68	80,200
South Windarra	0.80%	772,000	0.98	7,500	-	-	-	772,000	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		4,762,000	1.24	59,200	5,331,000	1.82	97,100	10,093,000	1.55	156,300

Table 2: Windarra Nickel Project Mineral Resource Statement

Poseidon is developing the Windarra Nickel Project, 260 kilometres north east of Kalgoorlie, which includes the Mt Windarra and Cerberus nickel deposits. Poseidon is focused on returning the historic Mt Windarra mine to production.

Poseidon CEO and Managing Director David Singleton said: “We’re extremely pleased to have added substantially more nickel to our mine plan, which will have positive repercussions for cash flow and payback in the early life of the mine.

“These results build on our track record of solid resource growth, which has been at an average annual rate of 24% in nickel tonnage terms since 2007. Subsequent drilling leads us to the conclusion that there is further resource and reserve upside within the Mt Windarra orebody close to existing infrastructure.

“We continue to work towards bringing Mt Windarra back into production ahead of a widely expected medium term shortfall in nickel supply. In addition, we are continuing discussions around project finance with a number of parties and will update the market with developments in that area as soon as practicable,” Mr Singleton said.

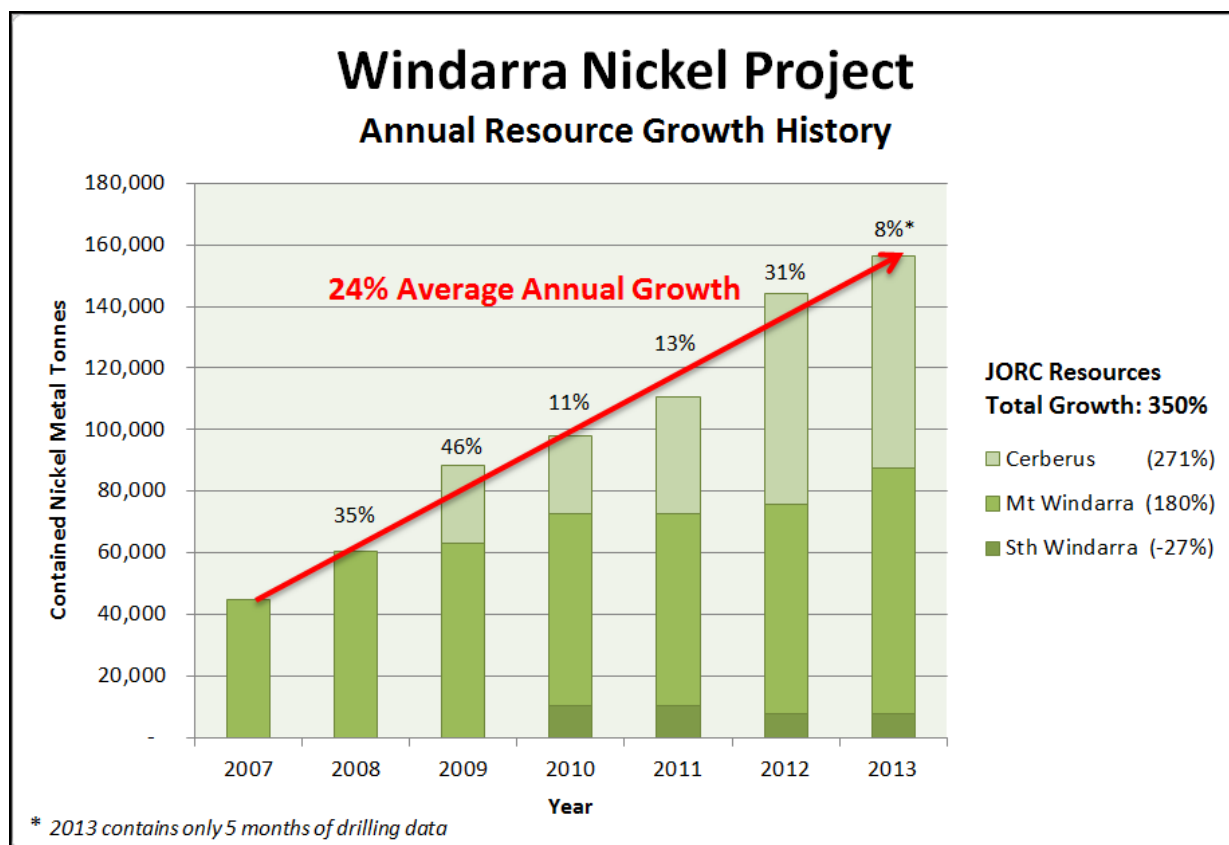


Figure 1: Windarra Nickel Project: Strong Resource Growth History

Technical Results

Underground drilling at over the last 7 months has led to further high grade nickel zones being added to the current Mt Windarra resource, which will allow the project to have a significantly greater output during at least its first two years of production. Future drilling will continue to further infill the resource and to determine the extent and vertical depth of the zones.

Drilling at two targets (C and F Shoots) has resulted in significant resource increases for those targets.

Drilling has resulted in the growth of C Shoot and a newly discovered extension of the F Shoot, which adds additional high grade, thicker mineralised zones to the Mt Windarra ore body. These zones have the potential to double the size of the estimated mineable ore body in the areas drilled and add very significant tonnages to the overall resources at Mt. Windarra.

F Shoot has grown in tonnage terms by 135% to 244,000 tonnes at 1.7% nickel meaning that this ore body can now be mined. Poseidon expects that F Shoot will continue to grow through drilling as it is open at depth as well as to the south and drilling will continue in these areas.

In addition the newly discovered extensions to F Shoot have delivered resources of sufficient JORC confidence category to allow immediate conversion to mining reserves. The mineralised zone is approximately 3m in width and currently extends over 350m high by 130m in size and remains open at depth.

C Shoot, which had already been included in the mining inventory for the site, has been increased through the drilling programme by 32% (in tonnage terms) to 1,926,000 tonnes at 2.06% nickel. Importantly, the central C Shoot thickness has increased from a previously

interpreted thickness of 4-5 metres to 8-9 metres, with a lower grade halo that is seen to expand out to 12-15m thickness in places.

The C and F Shoot drilling has had a positive outcome resulting in a 19% increase in resources tonnage at Mt Windarra, accompanied by an improvement in the JORC confidence category of the resource. In turn, there has been a corresponding increase in the conversion of resources to Probable Reserves at Mt Windarra, which now stand at 498,000 tonnes at 1.78% Ni containing 8,850 tonnes of nickel metal.

Other significant Shoots - D, G and H - will be more extensively drilled in the future. Table 3 details the current Mineral Resources at the other shoots at Mt Windarra.

Appendix 1 and 2 detail the Mt Windarra Resource locations, drill intersections and near mine targets.

Mt Windarra Nickel 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
A Shoot	0.75%				85,000	2.19	1,900	85,000	2.19	1,900
A-HW Shoot	0.75%	340,000	1.06	3,600				340,000	1.06	3,600
B Shoot	0.75%				80,000	1.42	1,100	80,000	1.42	1,100
C Deeps	0.75%	331,000	1.83	6,000	1,595,000	2.10	33,600	1,926,000	2.06	39,600
D Deeps	0.75%				519,000	1.55	8,000	519,000	1.55	8,000
G Deeps	0.75%				1,097,000	1.44	16,000	1,097,000	1.44	16,000
G Shoot (Upper)	0.75%	406,000	1.15	5,000	43,000	1.10	500	449,000	1.14	5,500
F Shoot	0.75%	110,000	1.85	2,000	134,000	1.70	2,000	244,000	1.77	4,000
H Shoot	0.75%	30,000	1.80	500				30,000	1.80	500
Total Sulphide		1,217,000	1.39	17,100	3,553,000	1.78	63,100	4,770,000	1.68	80,200

Table 3: Mt Windarra Drill Targets Resource Estimate (Optiro May 2013)

Significant Drill Intercept and Further Exploration

As previously announced, the original drill programme was designed for 6 months and has revealed many new features of the Mt Windarra mine not understood before and which have led to the larger than expected resource extension. The programme has now been brought to a temporary halt whilst the data received is reinterpreted with historic data to redesign the next phase of the drilling programme. During this time Poseidon will also review the water extraction system in the mine as the limits of the current system have now been met with the water depth now down near to the bottom of the main vent shaft which has been used to date as the extraction point.

Poseidon has been advised that unfortunately due to the current poor conditions for mining service providers that a number of contractors have chosen to stand down a number of their

staff now that the programme is complete. In some cases the contractors have chosen to make redundancies, due to the current shortfall in work across the industry.

A short period of follow-up drilling at Mt Windarra has returned the most successful intersection to date. Drill hole WUG0046 was drilled to intersect D Shoot and continue through to test a gap off the northern edge of C Shoot in order to extend the known mineralisation.

It intersected all 4 mineralised shoots and returned some of the best grades and true widths seen to date (Table 4). This result underlines and confirms the potential upside present at Windarra.

Drilling intersected high grade massive nickel sulphide in D Shoot with individual assays up to 12.01% nickel. It also extended C Shoot by 30m to the north and returned individual assays of up to 10.4% nickel.

These results are not included in the latest resource and reserve estimate.

Hole_ID	Dip/Azi	From (m)	To (m)	Interval (m)	True Width (m)	Ni%	Comment
WUG0046	-54/250	192.40	198.54	6.14	3.57	2.77%	F Shoot
		306.76	310.40	3.30	1.95	1.01%	Edge of G Shoot
		383.01	411.54	28.53	17.53	3.52%	D Shoot: Upper & Lower Zone (includes 3.57m wide barren zone)
	<i>Comprising</i>	383.01	390.95	7.94	4.87	2.91%	<i>Upper Zone</i>
	<i>and</i>	394.52	411.54	17.02	10.46	4.36%	<i>Lower Zone</i>
	<i>including</i>	394.52	402.80	8.28	5.08	7.10%	High Grade Massive Sulphide in Lower Zone
	453.10	455.00	1.90	1.20	5.54%	High grade edge to C Shoot	

Table 4: Mt Windarra Drilling Results

Drill hole WUG0046 also intersected F Shoot 45m below and 33m south of existing F Shoot drilling with individual assays up to 13.32% nickel. It also clipped the southern edge of G Shoot confirming its position.

This drill hole along with other recently completed holes (WUG0045 returned 12.5m [8.68m true width] @ 2.36% Ni from C Shoot) have continued to support and expand the recently upgraded estimation resource figures at Mt Windarra underpinning the resource growth potential of the underground deposits.

Poseidon is highly encouraged by these results and has commenced planning a follow-up exploration programme, the details of which will be announced to market in due course.

ENDS

For further information, please contact

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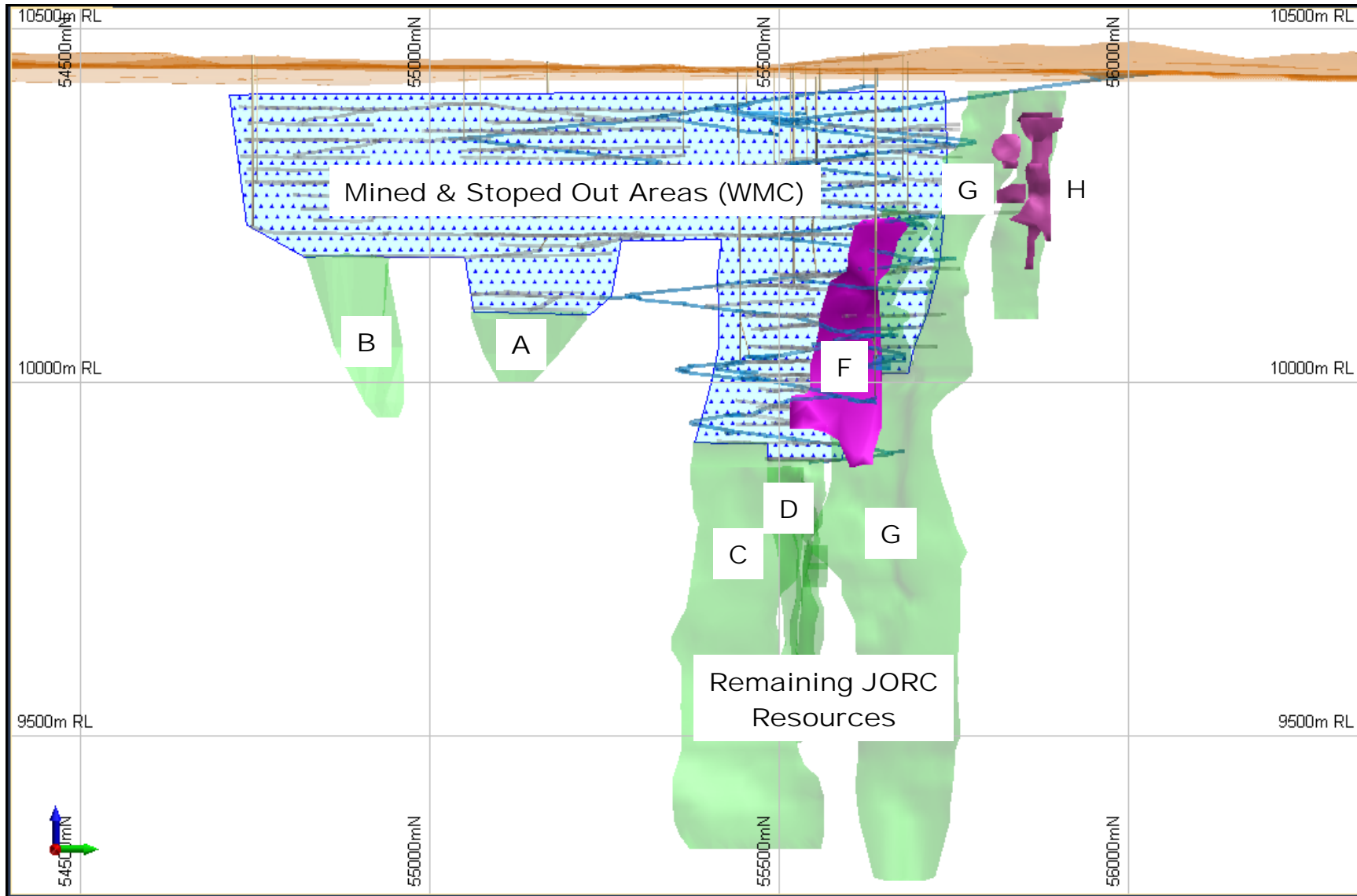
Note: The information in this report that relates to Mineral Resources is based on information compiled by Mr N Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists and Mr I Glacken who is a Fellow of the Australasian Institute of Mining and Metallurgy as well as a full time employee of Optiro Pty Ltd.

The information in this report that relates to Ore Reserves is based on information compiled by Denis Grubic, who is a Member of The Australasian Institute of Mining and Metallurgy as well as a full time employee of Rock Team Pty Ltd.

Mr Hutchison, Mr Glacken and Mr Grubic all 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.' (the JORC Code 2004) Mr Hutchison, Mr Glacken and Mr Grubic 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.

Appendix 1 - Mt Windarra; Resource Locations



Appendix 2 - Mt Windarra; Drill Intersections & Near Mine Targets

