

QUARTERLY REPORT

30 JUNE 2013

COMPANY OVERVIEW

Poseidon Nickel Limited is an Australian Securities Exchange listed nickel development company focused on the restart of the Windarra Nickel Project, located in the heart of Western Australia's premier nickel mining region. Poseidon has invested A\$94m over the last five years in refurbishing the existing mine and facilities and in extending the resource base of the Project to support an initial 10 year mine life. The resource is one of the largest for any West Australian nickel sulphide project that has restarted production in the last decade.

Windarra is a low risk development due to its brownfields nature, modest scale and conventional mining and processing methodology. The Project operated historically for sixteen years under previous ownership and Poseidon is the beneficiary of this operational track record and has access to extensive geological, metallurgical and other data.

A key feature of this Project is its low operating cost and capital intensity making the Project attractive even in the currently challenged nickel price environment.

ASX CODE: POS



COMPANY MILESTONES

- Poseidon has discovered large new high grade zones of nickel at its Windarra Nickel Project
- The nickel mineralisation has been discovered close to existing mining infrastructure
- Recent drilling results (not included in resource upgrade)
 - 8.68 metres at 2.36% Nickel (all true widths)
 - 17.53 metres at 3.52% Nickel including 5.08m at 7.1% Nickel
 - 3.57 metres @ 2.77% Nickel
- Resource modelling has resulted in a 19% increase to the Mt Windarra resources
- Leading to a 121% increase in Probable nickel Ore Reserves at Mt Windarra
- Mt Windarra Ore Reserves increased to 498,000 tonnes at 1.78% nickel for 8,850 tonnes of nickel metal
- Increased early year production leading to improved early year cashflow and capital payback at the Windarra Nickel Project
- Further resource and reserve upside likely from within existing Mt Windarra orebody and from new, adjacent, drill targets
- Latest update on Project highlights and financing
- WA State Government Project approval extension secured

RESOURCE-RESERVE ESTIMATIONS – WINDARRA

- The underground drilling programme has continued to deliver outstanding success with a 19% increase in resource tonnages at Mt Windarra, accompanied by an improvement in the JORC confidence category of the resource. Consequently, there has been a corresponding increase in the conversion of resources to reserves with a 121% increase of Probable Ore Reserves at Mt Windarra (Table 3). Of particular note is the much higher reserve grade which is now more in line with the historical mine performance. These results build on the track record of solid resource growth which has been at an average annual rate of 24% in nickel tonnage terms since 2007 (Figure 1).



Figure 2: High grade massive sulphide intersected in D Shoot by WUG0046

- The C and F Shoot drilling has had a positive outcome resulting in an increase in Probable Ore Reserves, which now stands at 498,000 tonnes at 1.78% Ni containing 8,850 tonnes of nickel metal (Table 3). Historically the average mining head grade at Mt Windarra was 1.58% nickel.
- Underground drilling over the last 7 months has led to further high grade nickel zones being added to the current Mt Windarra Mineral Resource (Tables 4 & 5), which will allow the project to have a significantly greater output during at least its first two years of production. This drilling has resulted in significant resource growth of the C Shoot and newly discovered extensions 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.

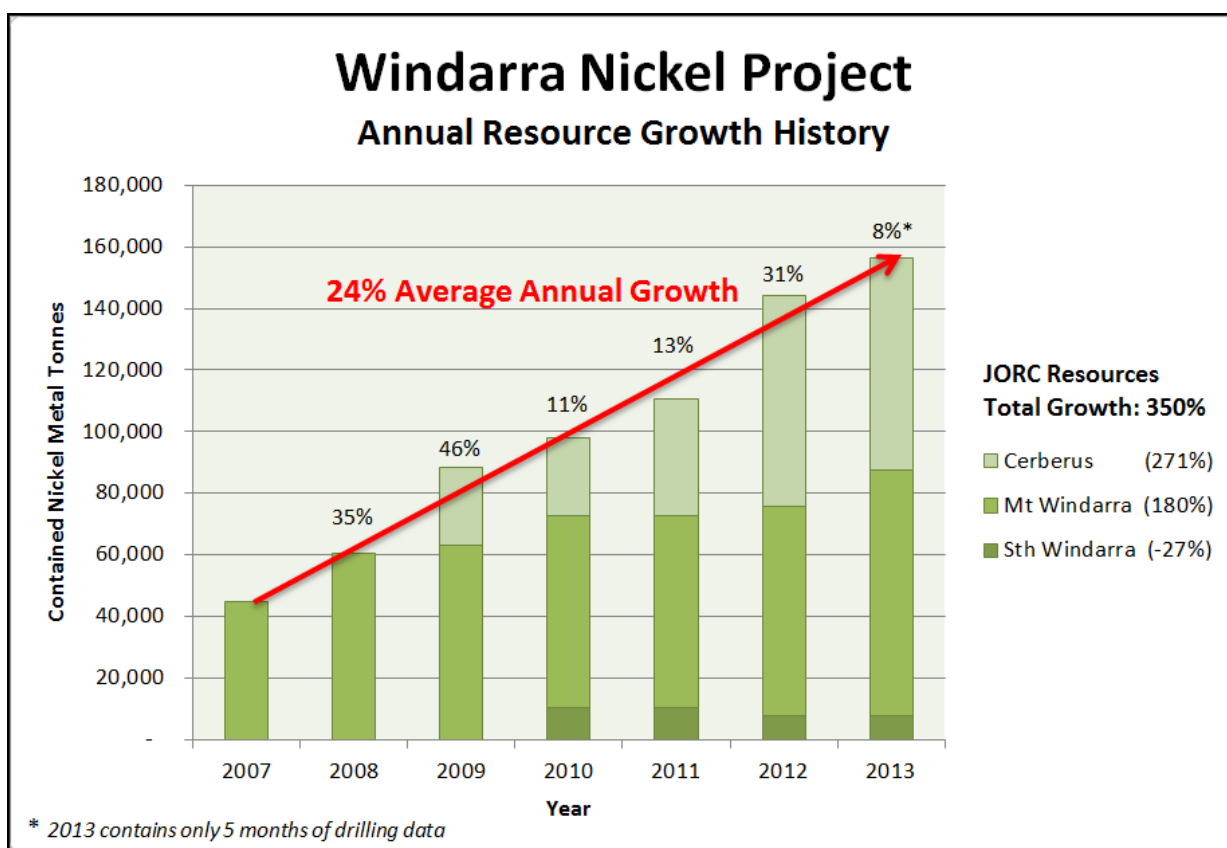


Figure 1: Windarra Nickel Project: Strong Resource Growth History

- F Shoot has grown in tonnage terms by 135% to 244,000 tonnes at 1.77% nickel meaning that this ore body is now of sufficient size and grade to be economically 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 further drilling will be undertaken 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 (Tables 1 & 3). 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 nickel tonnage terms) to 1,926,000 tonnes at 2.06% nickel (Table 1). Importantly, the central C Shoot thickness has increased from a previously interpreted thickness of 4-5 metres to a thickness of 8-9 metres, with a lower grade halo that is seen to expand out to 12-15m thickness in places.
- The completion of the original 6 month programme has revealed many new features of the Mt Windarra mine not previously understood which have led to a 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. Future drilling will be designed to further infill the resource and to determine the extent and vertical depth of the zones as well as targeting the newly defined high grade zones.
- Other significant Shoots - D, G and H - will be more extensively drilled in the future. Table 1 details the current Mineral Resources including the other shoots at Mt Windarra.

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 1: Mt Windarra Mineral Resource Estimate (Optiro May 2013)

EXPLORATION – WINDARRA

- In the period following the completion of the resource/reserve estimation work, drilling progressed at Mt Windarra resulting in the intersection of high grade massive nickel sulphide (Figure 2) in D Shoot. WUG0046 returned 28.53m (17.53m true width) at 3.52% nickel (Table 2) with individual assays returning above 12% nickel. It also intersected F Shoot 45m below and 33m south of the existing F Shoot drilling with individual assays of up to 13.32% nickel. The hole also extended C Shoot by 30m to the north (Figure 3) which returned individual assays of up to 10.4% nickel. These results are not included in the latest resource and reserve estimate (detailed below in next section).

Hole_ID	Dip/Azi	From (m)	To (m)	Interval (m)	True Width (m)	Ni%	Comment
WUG0045	-46/230	494.5	507	12.5	8.68	2.36%	C Shoot
WUG0046	-54/250	192.4	198.54	6.14	3.57	2.77%	F Shoot
		306.76	310.4	3.3	1.95	1.01%	Edge of G Shoot
		383.01	411.54	28.53	17.53	3.52%	D Shoot: Upper & Lower Zone <i>(includes 3.57m wide barren zone)</i>
	<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	402.8	8.28	5.08	7.10%	High Grade Massive Sulphide in Lower Zone
		453.1	455	1.9	1.2	5.54%	High grade edge to C Shoot
WUG0037B	-41/243	328.30	342.00	13.70	8.97	1.31	D Shoot
		415.68	421.60	5.92	4.47	2.14	C Shoot
WUG0039	-39/252	154.00	156.19	2.19	1.70	1.97	F Shoot
		284.00	286.46	2.46	1.91	1.26	D Shoot
		374.00	376.44	2.44	1.90	2.21	C Shoot
WUG0040	-30/258	132.08	134.09	2.01	1.74	2.56	F Shoot
WUG0041	-38/258	145.36	149.00	3.64	2.88	1.16	F Shoot
WUG0042	-45/258	389.70	391.95	2.25	1.60	1.11	C Shoot
WUG0043	-54/236	505.00	510.04	5.04	2.94	1.59	C Shoot
WUG0044	-50/242	472.20	478.54	6.34	4.04	1.57	C Shoot

Table 2: Mt Windarra Drilling Results

- Drill hole WUG0046 also clipped the southern edge of G Shoot confirming its geological 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 resource estimation figures at Mt Windarra (as detailed in next section) 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.
- Recent Press Reports centred on Poseidon’s decision to suspend drilling and associated refurbishment activities at Mt Windarra at the completion of the 6 month drilling programme announced in 2012. The Company would like to re-emphasise that its commitment for the programme of work was only for 6 months leading up to a resource and reserve update which was announced recently. The programme of work, as described separately in this report, was significantly more successful than had been expected and did indeed result in a resource and reserve upgrade. Equally importantly the drilling work indicated that further resource expansion can be anticipated given the insights into the ore body that have been obtained, in part from a clearer geological understanding using modern nickel models and additionally that we have now seen that certain drill holes being used by Western Mining were incorrectly positionally placed. Some of the best drill intercepts made during the drilling programme and during all of Poseidon’s drilling work, were made subsequent to the cut off for inclusion in the upgraded models. The key focus for the geological team is now to update its geological models and to plan the next drilling programme of work which we believe will continue to build on the drilling completed to date.

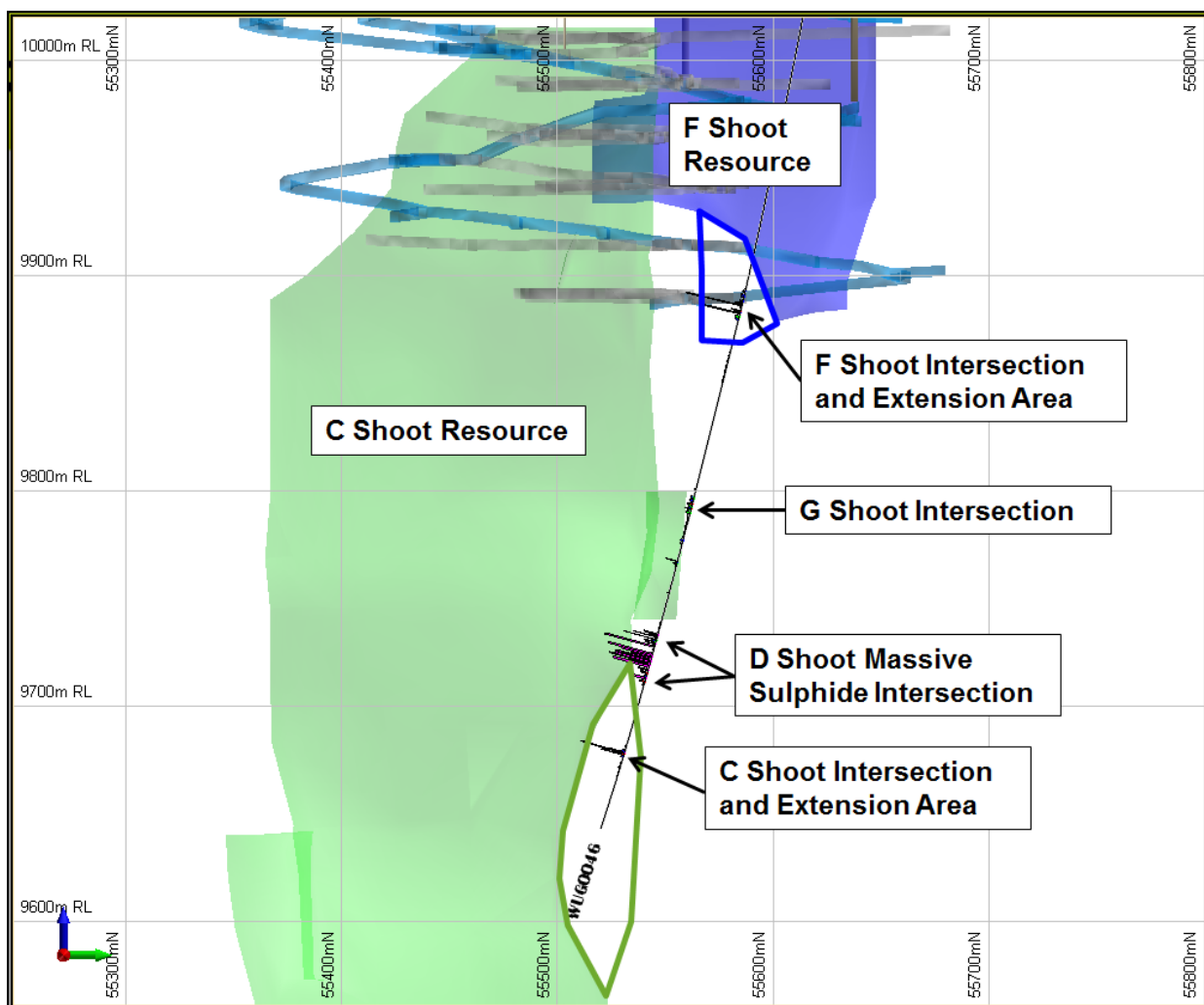


Figure 3: Targets intersected by WUG0046 showing potential resource extension areas.

ORE RESERVE STATEMENT

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 3: Windarra Nickel Project Reserve Ore Statement

MINERAL 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%	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 4: Windarra Nickel Project Mineral Resource Statement

Windarra Gold Tailings Project	Resource Category - Gold Tailings		
	Indicated		
	Tonnes	Grade (g/t)	Au (oz)
Total Gold Tailings	10,993,000	0.52	182,500

Windarra Nickel Tailings & Oxide Project	Cut Off Grade	Resource Category – Nickel Oxide & Tailings								
		Indicated			Inferred			TOTAL		
		Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t	Tonnes	Ni% Grade	Ni Metal t
Woodline Well	0.50%				344,000	1.25	4,300	344,000	1.25	4,300
Sth Windarra Dumps	0.00%	2,976,000	0.41	12,200				2,976,000	0.41	12,200
Central Tailings Dam	0.00%	9,602,000	0.34	32,600				9,602,000	0.34	32,600
Total Oxide		12,578,000	0.36	44,800	344,000	1.25	4,300	12,922,000	0.38	49,100

Table 5: Windarra Tailings & Oxide Project Mineral Resource Statement

OPERATIONS

- Poseidon has been progressively dewatering the underground mine at Mt Windarra over the last 18 months using a single high power pump connected by approximately 440 metres of steel piping running down the main lift shaft. This pumping set up has recently reached the limits of its capability and the dewatering system will now need to be reconfigured to complete this work by putting stage pumps into the lower areas of the mine and lifting the water to the surface from an existing service bore hole. To date the water has met environmental standards for pumping into a local salt water creek however Poseidon has now concluded that it will need to add filtration to the set up to ensure water quality is not compromised as the final depths of the mine are pumped. This pumping set up is now being designed and suitable temporary equipment to complete the task is being identified and will need to be installed before drilling from underground is recommenced.

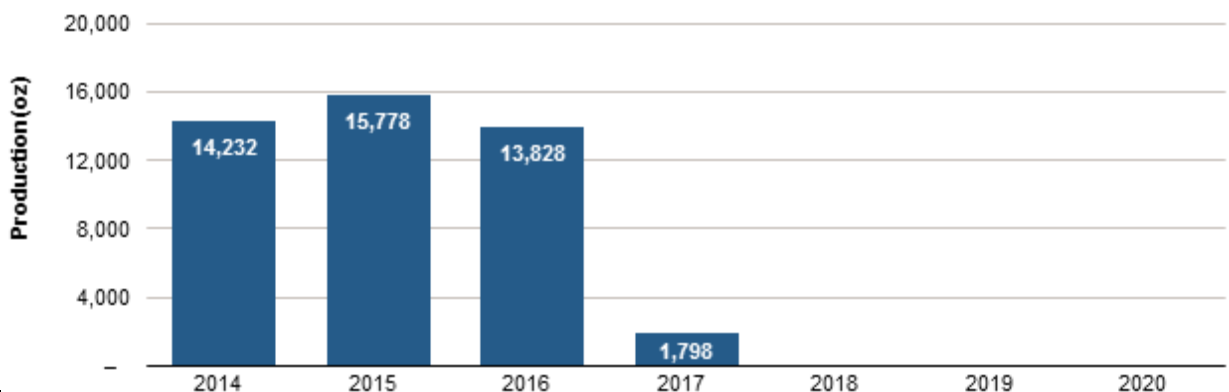
WINDARRA NICKEL PROJECT OVERVIEW

- Poseidon remains focused on the restart of the Windarra Nickel Project (“WNP” or “Windarra”), located in the heart of Western Australia’s premier nickel mining region. Poseidon has invested A\$94m over the last five years in refurbishing the existing mine and facilities and in extending the resource base of the Project to support an initial 10 year mine life. The resource is one of the largest for any West Australian nickel sulphide project that has restarted production in the last decade.
- Poseidon has an exceptionally experienced board and management team, led by Non-Executive Chairman and major shareholder Mr Andrew Forest (current Non-Executive Chairman of Fortescue Metals Limited). The management team has extensive project delivery and operational experience, and includes a former underground mine manager at Mt Windarra during its historical operations.
- Windarra is a low risk development due to its brownfields nature, modest scale and conventional mining and processing methodology. The Project operated historically for sixteen years under previous ownership and Poseidon is the beneficiary of this operational track record and has access to extensive geological, metallurgical and other data.
- A key feature of this Project is its ability to service debt even in a downside commodity environment. The nickel price is expected, on a consensus view¹, to outperform most other mineral commodities as measured by expected Compound Annual Growth Rate (“CAGR”) over the next few years.
- New nickel sulphide projects of this type are rare in the world but their relative simplicity and use of industry standard processing and mining techniques makes them desirable over nickel laterites. A significant proportion of new supply nickel into the market however is projected to come from nickel laterites which generally have significantly higher capital and operating costs which will further improve Poseidon’s cost advantage over time.
- Based on current resources the Project has an initial 10 year mine life which is likely to extend considerably as mining progresses in an outcome similar to other nickel sulphide mines in Western Australia. Poseidon has achieved an average annual resource growth of 24% since 2007, including recent drilling underground that has expanded the total resource base by 8% in the first five months of the year to date. Poseidon’s discovery cost is less than 10 cents per pound of nickel added to its JORC compliant resource base.

¹ Source: Consensus Economics (April 2013).

- Australia is rated as a leading mining investment region, ahead of Canada, Chile, Brazil and Mexico² and Mt Windarra is located in an established nickel province with a long term history of regional mining operations. The Project is centrally located with access to existing road, rail and port infrastructure allowing straightforward access to export markets.
- Poseidon has completed a full Definitive Feasibility Study (“DFS”) on the Project and published the findings. The DFS included multiple studies by specialist companies and has been independently reviewed by Behre Dolbear. Behre Dolbear is a leading mineral project reviewer who has completed many such reviews on behalf of debt providers.
- Poseidon has received the necessary project approvals required from the West Australian Government and commencement of construction is now only subject to final financing and offtake arrangements. This includes the necessary environmental licences, construction and operational licences and native title approvals.
- The restart of the Windarra Nickel Project comprises the following key components:
 1. **Mt Windarra:** Re-commissioning of the proven brownfields Mt Windarra underground nickel mine after a major resource increase following drilling carried out in the last few years:
 - Windarra has an expected initial estimated mine life of six years based on the current mining inventory which comprises 0.4Mt Probable Reserves, 1.22Mt Indicated Resources and 3.55Mt Inferred Resources plus 1.79Mt of mineralisation not yet classified under the JORC code;
 - This initial mining inventory is expected to be expanded over time with additional drilling and will be supplemented by Cerberus once this asset is developed.
 2. **Windarra Concentrator:** Construction of a standard, low-complexity nickel sulphide concentrator to process ore from Mt Windarra. The proposed concentrator will be a conventional nickel sulphide processing plant similar in design to the plant successfully used to process Mt Windarra ore at the site under previous ownership:
 - The processing plant will have sufficient excess capacity to allow throughput to be increased at the time the Cerberus deposit is developed.
 3. **Gold Tailings:** Construction of a standard, low-complexity gold retreatment plant to allow retreatment of an existing gold tailings reserve located on site:
 - Approximately 4.36 Mt of gold tailings reserves are expected to be retreated during the first three and one half years of operations for a total production of approximately 45,600 ounces of gold with no mining risk.

Expected Gold production profile (oz)



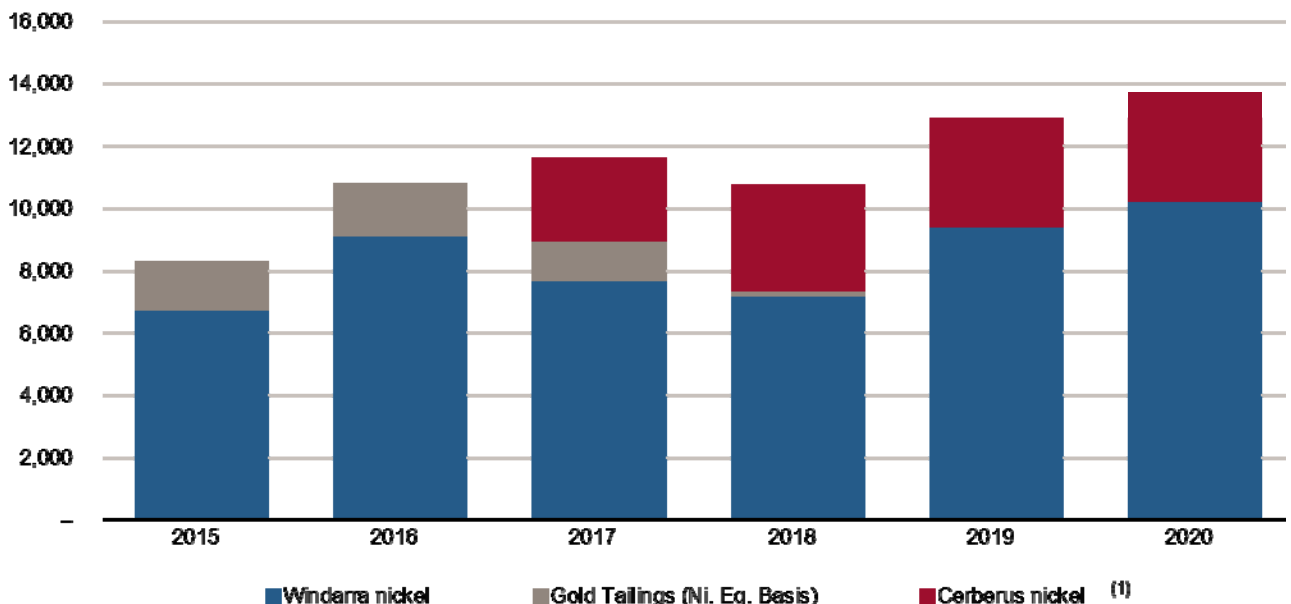
² Source: Behre Dolbear 2012, Commonwealth Bank of Australia.

4. **Cerberus:** Development of a new underground nickel mine at Cerberus, an ore body which was discovered by Poseidon in 2008. The Cerberus ore body is planned to be brought into production approximately two years after the Mt Windarra mine although this timing could be brought forward or delayed depending on the prevailing nickel market at the time and other factors. The stepped approach to commissioning the mines allows Poseidon to reduce development risk and to fund the Cerberus capital cost from internally generated cash flow. Cerberus is an important component of the overall mine design as it produces additional feed to the concentrator thereby reducing operating costs on a per tonne basis and increasing revenue. Cerberus is located 8km from Mt Windarra.
5. **Supporting Infrastructure:** Construction of related on site infrastructure to support the above.
6. **Future Expansion of Nickel Output:** In addition to the above, Poseidon has also progressed the development of a Nickel Tailings Retreatment Facility (NTRF) to process an existing nickel tailings resource located on the site that may be developed in the future subject to completion of further engineering studies and governmental approvals. This NTRF project provides Poseidon with low cost, output expansion and project life extension based on a known mined stockpile. Poseidon has completed advanced studies into the NTRF project and expects it to have an initial thirteen year life with a full DFS expected in 2014/2015. This project is not being funded as part of the proposed financing, and if ultimately developed, may be funded via internally generated cash flow.

Production Profile Summary

- Based on the key components of the Project listed above, the expected production profile is as follows:

Windarra Nickel Project production profile from FY2015 – FY2020 (tonnes nickel equivalent)



Source: Poseidon Nickel.
 (1) Assumes development of Cerberus based on current plans.

Project Highlights

Key strength	Description
<p>1. Brownfield project</p>	<ul style="list-style-type: none"> ■ Re-start of a proven, established and substantially refurbished nickel sulphide mine <ul style="list-style-type: none"> - Benefit of existing site infrastructure valued at ~\$52m³ as well as access to significant ancillary infrastructure ■ Proven tried and tested nickel project <ul style="list-style-type: none"> - Sixteen years of knowledge of the geological conditions and mining and processing experiences from the previous owners of the mine
<p>2. Limited resource risk</p>	<ul style="list-style-type: none"> ■ Nickel sulphide <ul style="list-style-type: none"> - One of the largest undeveloped high grade nickel sulphide deposits in Australia - Large mining inventory at Mt Windarra, complemented by Cerberus as a future source of ore feed and substantial in mine resource extension potential - Well understood geology and extensive history of resource to reserve conversion at Mt Windarra under prior WMC ownership - Opening resource size multiples higher than similar successful peers at same stage ■ Gold and nickel tailings <ul style="list-style-type: none"> - Mining inventory in reserve - Reconciliation history
<p>3. Low mining risk</p>	<ul style="list-style-type: none"> ■ Mt Windarra: conventional mining methods complemented by sixteen years of mining history (Poseidon COO ran the underground mine previously and has been running current operations for six years) ■ Cerberus: conventional mining development methods ■ Gold and nickel tailings: no mining risk
<p>4. Very low processing risk</p>	<ul style="list-style-type: none"> ■ Nickel sulphide <ul style="list-style-type: none"> - Conventional, low complexity and small scale process plant - Low levels of contaminants - Sixteen years of processing history of Mt Windarra ores ■ Gold tailings <ul style="list-style-type: none"> - Conventional, low complexity and small scale process plant - Back end of the processing toll treated to third party
<p>5. Short and low risk implementation</p>	<ul style="list-style-type: none"> ■ Construction-ready with all approvals in place subject to final financing and offtake arrangements ■ Low construction and ramp up risk and short construction and ramp up periods <ul style="list-style-type: none"> - Twelve months construction period based on signed fixed price contracts and six months commissioning and ramp up period - Industry standard, conventional nickel sulphide and gold tailings processing plants combined - West Australian market currently has extensive capacity for the project leading to development certainty and lower capital costs - Historical mine and infrastructure at Mt Windarra and access to local infrastructure ■ Staged development of Cerberus and Nickel tailings to reduce development risk
<p>6. Low cost project</p>	<ul style="list-style-type: none"> ■ Poseidon expects to be a competitive, low cost producer of nickel, with cash costs projected to be in the second quartile of the industry cost curve ■ Nickel discovery costs below 10 cents per pound
<p>7. Strong market position</p>	<ul style="list-style-type: none"> ■ Concentrates produced by the Windarra Concentrator are expected to be clean, with low impurity and high nickel grade, making them attractive to a range of buyers. The concentrates from Mt Windarra have a sixteen year history of saleability in the market during the period of WMC ownership and are therefore well understood and have a long history of acceptance by smelters ■ Poseidon is currently finalizing nickel offtake negotiations with multiple, credit worthy counterparties expressing interest

³ Source: As verified by independent engineering group Rock Team.

Key strength	Description
8. Studies reviewed by independent specialists	<ul style="list-style-type: none"> ■ DFS based on the work of over ten independent specialist consultants and reviewed by independent technical expert Behre Dolbear ■ Nickel tailings project supported by preliminary studies and pilot testwork ■ Nickel supply, demand and price forecasts sourced from leading independent industry specialists
9. Experienced management team and Board of Directors	<ul style="list-style-type: none"> ■ Poseidon's senior management team and board members have significant experience in the mining industry, including considerable experience with nickel projects around the world ■ Poseidon's Board of Directors is led by Non-Executive Chairman and major shareholder, Andrew Forrest, current Non-Executive Chairman of Fortescue Metals Group ■ Management team includes former underground mine manager of Mt Windarra
10. Attractive operating environment	<ul style="list-style-type: none"> ■ Australia is one of the world's leading investment locations ■ Australia hosts amongst the world's largest nickel Reserves ■ Mt Windarra located within a well-established nickel province with a long term history of regional mining operations
11. Strong market demand/supply dynamics	<ul style="list-style-type: none"> ■ Demand and supply factors in the medium term are expected to be favourable for the outlook for the nickel price, with industry experts expecting nickel deficits in the medium term ■ Consensus Economics picks nickel as one of the best price performers in the medium term⁴ ■ Nickel sulphide producers, similar to Windarra, are generally lower in operating cost and have lower capital intensity than other types of nickel producers in the world but new mines are now rare
12. Robust economics and substantial operational flexibility	<ul style="list-style-type: none"> ■ Large liquidity reserves with two year pre-funded interest during construction, ramp up and into production ■ Additional contingency and cash reserves ■ Approximately two thirds of upfront capital costs under contract primarily in lump sum turnkey ■ Gold Tailings provides strong cash generation during ramp up and early years of Mt Windarra ■ Strong cashflow profile with significant increasing CFADS as nickel grade improves with ore body depth ■ Substantial excess capacity at Mt Windarra and Cerberus mines and the Windarra Concentrator ■ Cerberus and NTRF provide future operational flexibility and represent potential additional revenue streams

- Investors should recognise that all financial predictions made either publically as part of the DFS or privately under confidentiality are now out of date due to highly material changes in commodity pricing and changes likely as a result of recent positive drilling updates. Poseidon may update forecasts in the future.

Project Approvals

- Poseidon has received the necessary project approvals required from the West Australian Government and commencement of construction is now only subject to final financing and offtake arrangements. The Company has also received advice from the WA State Premier, The Hon. Colin Barnett, that permission has been given for an extension to the Project approvals to 30 June 2014, subject only to similar conditions previously announced.
- The Project approval includes all the necessary environmental licences, construction and operational licences and native title approvals. The Project approvals are listed below:

⁴ Source: Consensus Economics (April 2013).

Approval	Project Components	Timing
Poseidon Nickel Agreement (the "State Agreement")	<ul style="list-style-type: none"> Agreement between Poseidon and the State Government of Western Australia which governs the Project. Approval for the Project obtained from the Minister for State Development, subject to final financing and marketing arrangements 	Up to 30 June 2014
Project Management Plan	<ul style="list-style-type: none"> Submitted to DMP safety February 2012 	Approved
Stage 1 Mining Proposal	<ul style="list-style-type: none"> Rev 0 submitted November 2011 Rev 1 submitted January 2012 to address Department of Mines & Petroleum feedback 	Approved subject to CP
Stage 2 Mining Proposal	<ul style="list-style-type: none"> Submitted December 2011 	Approved subject to CP
Stage 3 Mining Proposal	<ul style="list-style-type: none"> Submitted January 2012 	Approved subject to CP
Stage 1 Works Approval	<ul style="list-style-type: none"> Windarra Nickel Project Submitted November 2011, received significant feedback from Department of Environment & Conservation 	Approved subject to CP
Stage 2 Works Approval	<ul style="list-style-type: none"> Gold Processing Plant, In-pit Tailings Storage and Development of Cerberus Underground Mine Submitted February 2012, received significant feedback from Department of Environment & Conservation 	Approved subject to CP
Water Abstraction License	<ul style="list-style-type: none"> Department of Water – submitted February 2012 	Approved
Building Approvals	<ul style="list-style-type: none"> Application will be submitted post the above approvals being received 	During construction
Haul Roads and Intersection Approval	<ul style="list-style-type: none"> In progress 	During construction
License to Operate	<ul style="list-style-type: none"> Application submitted at mechanical completion 	Post construction

Other Contracts

- Poseidon have previously announced an intention to enter into a contract with Arcon based in Western Australia and China based NFC for the construction of the project processing plant and other above ground infrastructure. In June 2013 Poseidon was informed by Arcon's parent company, Allmines, that it was entering voluntary administration. Subsequently, we have noted that Arcon is no longer trading. During the Definitive Feasibility Study ("DFS"), Poseidon ensured that it funded plant design engineering works to ensure that it was firmly in control of the design of the process plant and that it had control of the design data packs. This has enabled Poseidon to rapidly re-tender the plant and infrastructure package which is now well advanced in step with the Company's development aims. In addition, Poseidon has contacted NFC in

China with the aim of maintaining the option of its involvement although as a result of the Arcon situation, no current agreement exists between the parties.

- The remaining decline refurbishment has been contracted to GSM Mining (“GSM”) of Kalgoorlie who will also undertake initial production mining at Mt Windarra. GSM have undertaken all of the decline refurbishment completed to date and the costs per metre to complete the work can therefore be forecast with confidence. The contract is on a rates basis.
- Poseidon has negotiated contracts for the Cerberus box cut excavation and surface earthworks, construction of the process plant and is in negotiation for contracts for the Cerberus underground development, decline rehabilitation, Windarra underground development, drilling services, gold tailings and carbon processing. Poseidon is working with an independent engineer to provide contract project management services in connection with the implementation of the Project.
- Poseidon expects to have approximately two thirds of the required capital expenditure (excluding nickel tailings) under fixed price or fixed rate contracts by the time the financing is completed.

	Category	Amount (A\$m)
Capital invested to date	Value in place of existing project infrastructure at time of acquisition	~\$52m
	Acquisition cost	~\$9m
	Drilling capital expenditure post acquisition	~\$26m
	Refurbishment of Mt Windarra mine	~\$26m
	Feasibility studies	~\$6m
	Process testwork (nickel sulphide, gold & nickel tailings)	~\$6m
	Environmental bonds	~\$4m
	Other capital expenditure post acquisition	~\$19m
	Sub total – invested to date	~\$146m
Future capital to first production	Exploration & evaluation	\$5m
	Mine development & infrastructure	
	Mine development	\$55m
	Capital equipment	\$122m
	Project costs	\$15m
	Capex contingencies	\$9m
	Sub total – future capital to first production & ramp-up	\$207m
	Total expenditure	~\$353m

FINANCIAL

- Poseidon has previously indicated that the next phase in its development process is to undertake the financing of the project. Preparations for this have been underway for some time and are continuing in conjunction with Credit Suisse and Grant Samuels. Shareholders will recognise that the market has entered a period where investor sentiment towards new mining projects across the spectrum of resources has weakened in addition to reported softening of US debt markets emanating from recent announcements by the US Federal reserve. In spite of these macro movements, Poseidon will continue with its activities towards project funding although it recognises that some delays may occur. Poseidon remains confident however that macro issues surrounding commodities, nickel and debt financing will improve as fundamental medium term predicted shortages of nickel supply and strength of stainless steel demand reassert themselves on pricing.
- As at 30 June 2013, the Company had cash and receivables of \$4.7 million which includes cash on hand of \$2.6 million plus a refundable tax offset from the ATO under the Research and Development Tax Incentive scheme for \$2.1 million, received in July, in relation to the 2012 tax year.
- The Company is also preparing its 2012/2013 tax claim which it believes will enable a further significant payment to it under the Development Tax Incentive Scheme. In addition, Poseidon has made a request under the new West Australian MRF scheme to recover a \$3.5 million bond held by the State Government. This application is currently under review.
- The Company has signed an extension to the \$8 million Bridge Loan that was due for repayment on 1 July 2013 with Forrest Family Investments Pty Ltd. The parties have agreed to extend the maturity date until 1 October 2013.

CORPORATE

- In line with Poseidon's policy to only pay Directors fees in shares in order to retain the cash reserves of the Company, 299,878 Fully Paid Ordinary Shares were issued in lieu of Directors fees for the quarter to March under the terms of the Director Share Plan. The shares were issued on 9 April 2013 at a deemed issue price of \$0.2287, based upon the volume weighted average sale price ("VWAP") for the 91 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 and was approved by shareholders at the Annual General Meeting held on 21 November 2012.

MARKET INFORMATION

- Figure 4 and 5 below shows the underlying correlation between Poseidon's share price and the LME Nickel price and the correlation to the ASX 200 Resources index over the last 12 months.

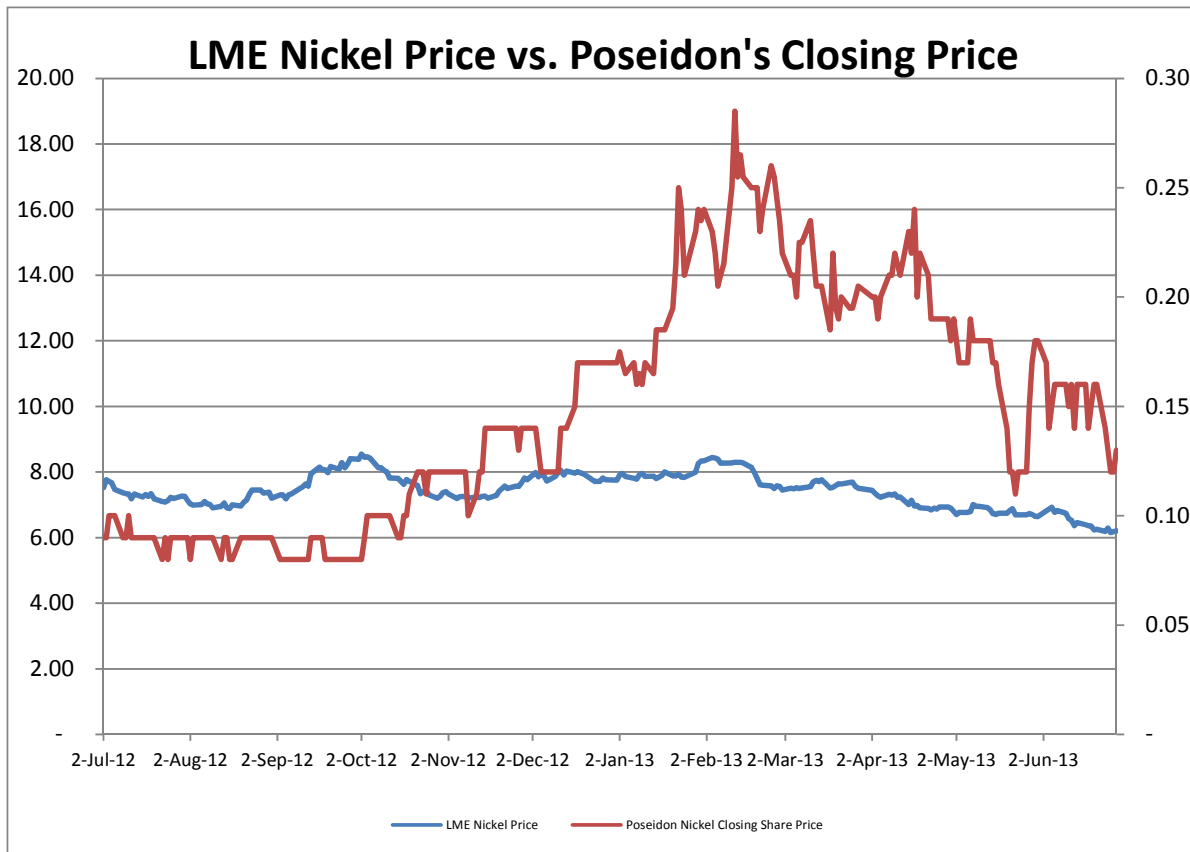


Figure 4: Poseidon share price graph compared to LME Nickel price

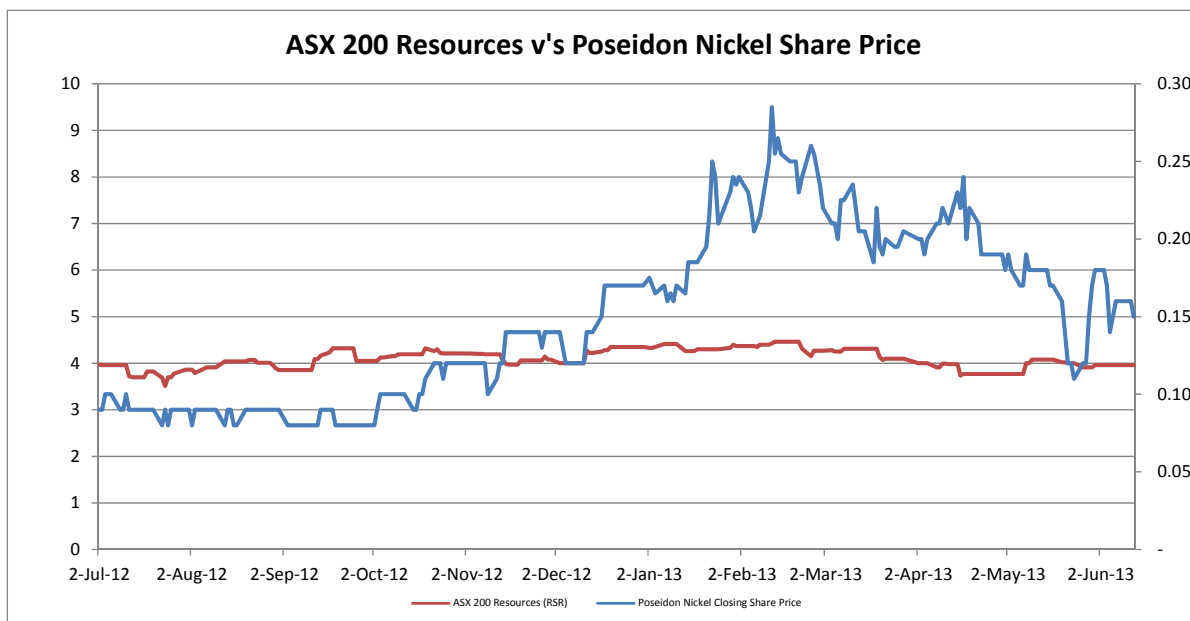



Figure 5: Poseidon share price graph compared to ASX 200 Resources index



David P.A. Singleton
Managing Director & CEO

31 July 2013

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

Unit 8, Churchill Court
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 Cameron Morse
FTI Consulting
P: 61 8 9458 8888 M: 0433 886 871
E: Cameron.Morse@fticonsulting.com

Home Exchange

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

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 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 2013

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	(4,416)	(14,162)
(b) development	-	-
(c) production	-	-
(d) administration	(1,659)	(4,230)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	46	454
1.5 Interest and other costs of finance paid	-	(939)
1.6 Income taxes paid	-	-
1.7 Other - sundry income	63	225
Net Operating Cash Flows	(5,966)	(18,652)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(6)	(801)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	1,640
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – costs re sale of equity investments	-	(59)
Net investing cash flows	(6)	780
1.13 Total operating and investing cash flows (carried forward)	(5,972)	(17,872)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,972)	(17,872)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – borrowing costs paid	-	(120)
	Net financing cash flows	-	(120)
	Net increase (decrease) in cash held	(5,972)	(17,992)
1.20	Cash at beginning of quarter/year to date	8,562	20,582
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,590*	2,590*

* The Company received a \$2.1 million refundable tax offset from the ATO in July 2013 under the Research and Development Tax Incentive scheme in relation to the 2012 tax year

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	134
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 9 April 2013, 299,878 ordinary shares were issued at a price of \$0.2287 per share as approved by the Shareholders at the November 2012 Annual General Meeting. The shares were issued to the Non-Executive Directors in lieu of Directors Fees for the March 2013 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	43,103	43,103
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,200
4.2 Development	-
4.3 Production	-
4.4 Administration	800
Total	2,000

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	2,583	8,556
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other – Term Deposits	7	6
Total: cash at end of quarter (item 1.22)	2,590	8,562

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	N/A			
6.2 Interests in mining tenements acquired or increased	N/A			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	409,241,119	409,241,119		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	299,878	299,878		
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.	-	\$0.40	The Notes have a March 2011 six year term convertible into fully paid ordinary shares.
		64,945,608 This is an estimate only based on an average exchange rate of 1.0265.	-	\$0.30	The Notes have a March 2011 six year term convertible into fully paid ordinary shares.
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>Unlisted</i> <i>Unlisted</i>	2,975,000 4,500,000	- -	<i>Exercise price</i> \$0.22 \$0.22	<i>Expiry date</i> 31 August 2016 23 November 2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)				
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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: 31 July 2013

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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