

QUARTERLY REPORT

30 SEPTEMBER 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 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

- **Project is now completed, permitted and ready for construction**
- **Poseidon has recently discovered additional new high grade zones of nickel close to existing infrastructure**
- **Recent drilling results (not included in June resource upgrade, true widths)**
 - **8.68 metres at 2.36% Nickel**
 - **17.53 metres at 3.52% Nickel including 5.08m at 7.1% Nickel**
 - **3.57 metres @ 2.77% Nickel**
- **Drilling has recently resulted in a 12,000 nickel tonnes increase to the resources and a 121% increase in Probable nickel Ore Reserves at Mt Windarra**
- **Updated model demonstrates increased early year production leading to improved cashflow and capital payback**
- **Further resource and reserve upside likely from within existing Mt Windarra orebody and from new, adjacent, drill targets**
- **WA State Government Project approval extension secured**

OVERVIEW

Poseidon has now completed all of the necessary activities at the Windarra Nickel Project prior to construction. This includes completion of the Definitive Feasibility Study (DFS), Independent Reports and permitting.

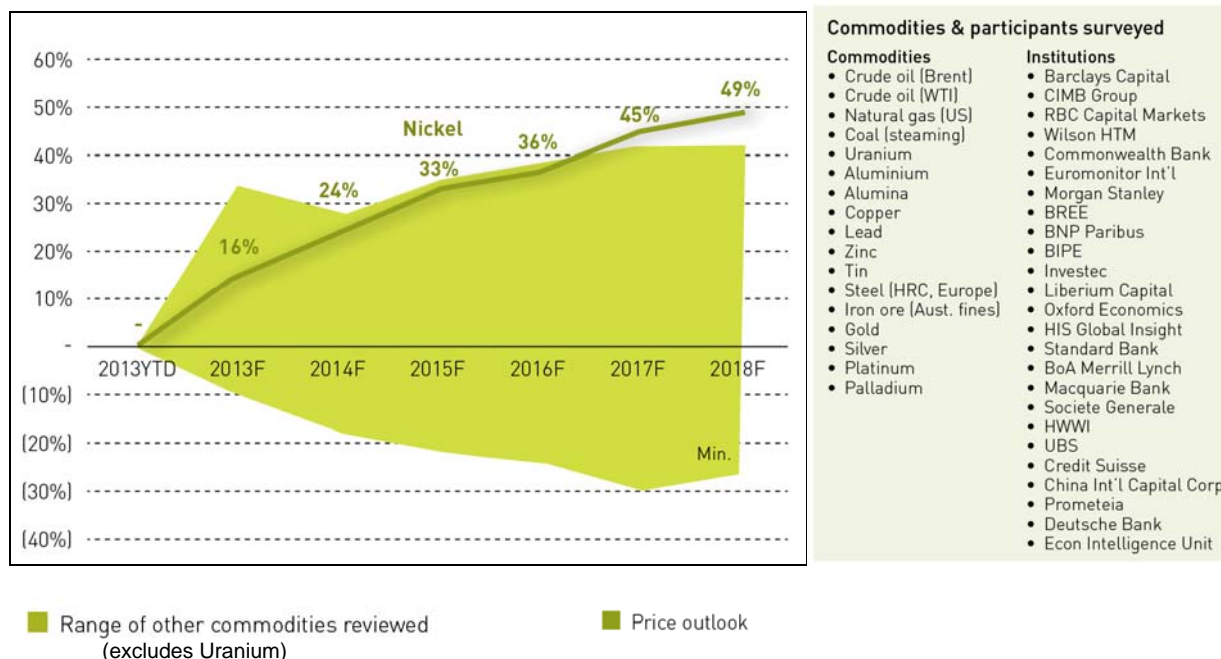
In June 2013, Poseidon updated the DFS to take account of drilling results at Mt Windarra completed between November 2012 and April 2013. The drilling had been planned primarily to turn existing Resources* into the higher Reserve* category in the region of the ore body intended to be mined in the first 2 years of operations. The drilling successfully achieved this increasing reserves by 121% and increasing the average ore grade by approximately 45%. Equally as important but unexpectedly, the drilling also increased the resource size by 12,000 tonnes of nickel which included the discovery of a new mineable ore body very close to existing infrastructure. This success demonstrates that the ore resources will continue to grow, as drilling proceeds in the future, expanding the mines potential output and life.

Further drilling, beyond the cut-off date in April for the resource upgrade, delivered some of the best results ever achieved by Poseidon at Windarra. This further strengthened the understanding of the potential of the project to grow as the geological understanding improves.

The completion of the DFS update in June this year was intended to lead directly into a campaign to finance the project into production using the US debt capital markets. Poseidon's approach was however at the same time that the US Federal Reserve announced the tapering of the QE programme and the bottoming of the nickel spot price to near 10 year average lows. As a result, the financing was not completed. Considerable efforts continue, although a key trigger will be the anticipated strengthening in the nickel market. Poseidon continues to believe that the current oversupply of the nickel market will reverse and that the medium term future for the metal is very positive. Several independent forecasts, including Consensus Economics based in London, support the view that nickel has one of the best potential forward price dynamics of all hard commodities (see diagram 1).

*as defined by the JORC code

Diagram 1: Consensus Economics (Source April 2013) – Forecasted changes from 2013YTD Price



UNDERGROUND DRILLING – WINDARRA

- Following the completion of the underground resource/reserve drilling and estimation process at Windarra, drilling progressed resulting in an additional 8 drill holes which have not been included in the recent resource/reserve updates. Results of these drill holes have been received including the previously announced WUG0046 which returned some of the best drill intersections seen to date at Windarra. WUG0046 intersected all 4 major nickel shoots as it drilled through the mineralised Windarra Ultramafic sequence.
- WUG0046 returned an intersection of high grade massive nickel sulphide from D Shoot of 28.53m (17.53m true width) at 3.52% nickel. It also intersected F Shoot 45m below and 33m south of the existing F Shoot drilling returning 6.14m (3.57m true width) at 2.77% nickel. The hole has also extended C Shoot by 30m to the north, returning 1.9m (1.2m true width) at 5.54% nickel. Drill hole WUG0046 also clipped the southern edge of G Shoot confirming its geological position.
- Results for drill holes WUG0047-WUG0053 which preceded the last quarterly report are tabulated below in Table 1, as well as all of the holes which were not included in the 2013 resource estimation upgrade (Table 3). These holes will be included in the next resource estimation process.
- When drilling recommences the focus will be on completing the C Shoot (south) drilling, extending the F Shoot at depth and infilling the central zone to the complete the F Shoot reserve estimation, as well as progressing the G Shoot Drilling. Further drill testing of the deeper high grade portion of D Shoot centred around WUG0046 will also commence.
- Remodelling of the Windarra ore shoots based on the structural and geological analysis of the data collected from this drilling campaign is progressing helping to improve the geological model used previously.

Hole_ID	Dip/Azi	From (m)	To (m)	Interval (m)	True Width (m)	Ni%	Comment	
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	
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 (includes 3.57m wide barren zone)	
		<i>Comprising</i>	383.01	390.95	7.94	4.87	2.91%	Upper Zone
		<i>and</i>	394.52	411.54	17.02	10.46	4.36%	Lower Zone
		<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	
WUG0047	+1/256	215.00	216.00	1.00	1.00	1.19	D-Shoot. Sample from historic mined stope	
WUG0048	-12/256	-	-	-	-	-	No Significant Assays	
WUG0049	+1/269	122.16	131.90	9.74	9.74	1.10	F-Shoot	
		122.16	124.59	2.43	2.43	1.80		
WUG0050	-53/259	309.00	310.00	1.00	0.58	1.13	Edge of G-Shoot	
		388.91	390.05	1.14	0.67	1.34	D-Shoot	
		393.75	397.91	4.16	2.45	1.71	D-Shoot	
		407.92	409.20	1.28	0.76	1.12	D-Shoot	
		411.00	411.60	0.60	0.35	1.96	D-Shoot	
		415.00	417.00	2.00	1.18	1.01	D-Shoot	
WUG0051	-12/269	123.17	132.80	9.63	9.51	1.18	F-Shoot	
		123.17	127.00	3.83	3.78	1.64		
		137.00	138.00	1.00	0.99	1.17	F-Shoot Footwall Lode	
WUG0052	-24/269	126.25	132.00	5.75	5.42	1.17	F-Shoot	
		144.00	145.90	1.90	1.79	1.07	F-Shoot Footwall Lode	
WUG0053	-19/266	122.40	125.97	3.57	3.42	1.13	F-Shoot	
		210.17	212.91	2.74	2.64	2.91	G-Shoot	

Table 1: Significant Drill Intersections, Mt Windarra – Holes not included in Resource Estimation

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 2: 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 3: 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 4: 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 has allowed the decline to be refurbished to the 10030RL (circa 430m vertical from surface).
- This pumping set up has recently reached the limits of its capability and the dewatering system will 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 installed a sand filter into the dewatering discharge pipeline to ensure that any drill cuttings produced from the recent diamond drill campaign or settled solids from the mines previous operation are removed from the mine water prior to discharge. It is planned to have the filter operational early in the fourth quarter in order to maintain current water levels prior to the dewatering system reconfiguration being implemented.

FINANCIAL

- As at 30 September 2013, the Company had cash of \$2.7 million having received a \$2.5 million refundable tax offset from the ATO under the Research and Development Tax Incentive scheme in September, in relation to the 2013 tax year.
- The Company has made a request under the West Australian MRF Scheme to recover the \$3.5 million bond held by the State Government. The application is currently under review as it requires individual approval because the tenements are subject to the Poseidon Nickel Agreement Act 1971 (as varied in 2007) rather than being managed solely under the mining act of Western Australia.
- The Company has signed an extension to the \$8 million Bridge Loan that was due for repayment on 1 October 2013 with Forrest Family Investments Pty Ltd. The parties have agreed to extend the maturity date until 1 October 2014 with the lender exercising their right for the Bridge Loan to be repaid.

CORPORATE

- The Board has elected Mr H E “Bud” Scruggs as its new chairman. Bud has served as Mr Andrew Forrest’s alternate on the Board since September 2012 and was previously the CEO of The Metals Group, then the private holding company of the business interests of Andrew & Nicola Forrest and COO of the Australian Children’s Trust which was the principal philanthropic entity of the Forrest family. He is currently a non-executive director of Fortescue Metals Group (FMG) and works in the US as an expert in business leadership, corporate recoveries and step change business improvement. He has deep and current experience in the US capital markets which Poseidon views as a key component in the final funding into production of the Windarra Nickel Project.
- Mr Andrew Forrest resigned from the Board of Poseidon on 27 September due to his overwhelming philanthropic duties but remains as a supporter of the Company and its majority shareholder with 31.7% of the shares on issue. In addition, Mr Richard Monti resigned as a non-executive Director.

- In line with Poseidon’s policy to only pay Directors fees in shares in order to retain the cash reserves of the Company, 375,789 Fully Paid Ordinary Shares were issued in lieu of Directors fees for the quarter to June under the terms of the Director Share Plan. The shares were issued on 12 July 2013 at a deemed issue price of \$0.1825, 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 below shows the underlying correlation between Poseidon’s share price and the LME Nickel price over the last 12 months.

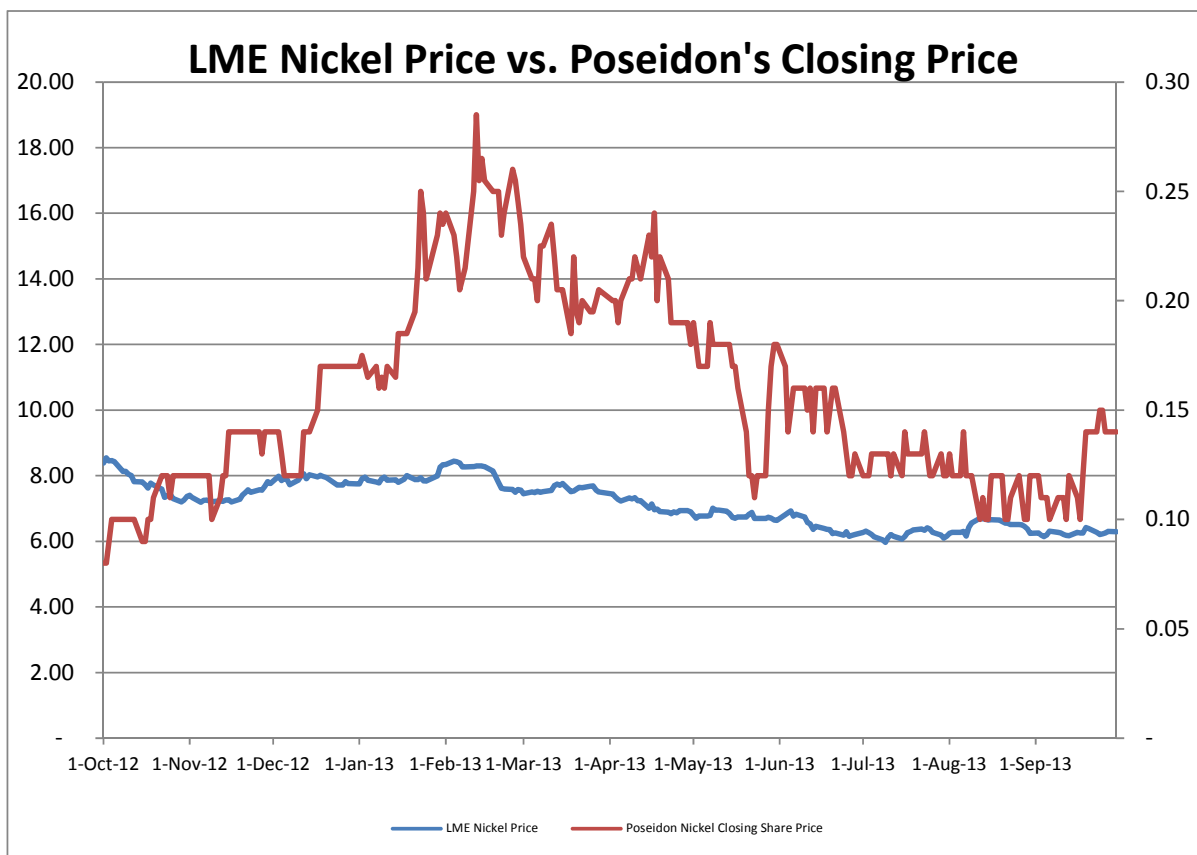


Figure 4: Poseidon share price graph compared to LME Nickel price

David P.A. Singleton
 Managing Director & CEO

30th October 2013

CORPORATE DIRECTORY**Director / Senior Management**

David Singleton	Managing Director & Chief Executive Officer
Bud Scruggs	Non-Executive Chairman
Geoff Brayshaw	Non-Executive Director
Chris Indermaur	Non-Executive Director
Ross Kestel	Company Secretary

Corporate Enquiries

Mr David Singleton – MD & CEO
P: 61 8 9382 8799
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 9485 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 September 2013

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(3,091)	(3,091)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,479)	(1,479)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	43	43
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other - sundry income	73	73
	- refundable R&D tax offset	4,583	4,583
	Net Operating Cash Flows	129	129
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(6)	(6)
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 (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	123	123

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	123	123
	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 (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	123	123
1.20	Cash at beginning of quarter/year to date	2,590	2,590
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,713	2,713

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	133
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 12 July 2013, 375,789 ordinary shares were issued at a price of \$0.182513 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 June 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

+ See chapter 19 for defined terms.

Add notes as necessary for an understanding of the position.

	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	750
4.2 Development	-
4.3 Production	-
4.4 Administration	850
Total	1,600

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	2,706	2,583
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other – Term Deposits	7	7
Total: cash at end of quarter (item 1.22)	2,713	2,590

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.

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	409,616,908	409,616,908	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	375,789	375,789	
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	- - \$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: 30 October 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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