

1 March 2011

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

Dear Sir

Re: POSEIDON IS OPERATING UNDERGROUND

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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Shareholder Enquiries

Enquiries concerning shareholdings should be addressed to:

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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
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Media Enquiries

Mr Paul Downie
FD Third Person
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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

1 March 2011

Poseidon is Operating Underground

Poseidon Nickel Limited (Poseidon) is pleased to announce it has restarted underground refurbishment operations at its Mt Windarra mine with project completion expected in 10 months.

Operations commenced with an underground bogger which repaired the decline roadway in order to enable access for an underground jumbo drilling machine.

The drilling jumbo is now installing steel roof meshing and rock bolts in the decline as required. The refurbishment will operate a single shift until early April 2011 when Poseidon is expecting to commence a second operational shift. Poseidon has previously reported that the underground machinery for this activity is already located on site.

Poseidon Chief Executive Officer, Mr David Singleton said: "This is the key step to reopening the mine and recommencing production. We are now fully funded through the recent US\$20M Convertible Note facility from Harbinger and committed to the program ahead."

Poseidon will now complete the remaining 420 vertical metres of decline which will enable access to the lowest previous stoping level of the mine. The refurbishment programme is estimated to cost \$8m leaving additional funds for resource drilling, regional exploration and production readiness. Poseidon recently announced that it had come to an agreement with GSM Mining to undertake this activity.

Poseidon recently announced that it has received a US\$20m funding commitment from Harbinger Capital Partners in New York. The Company is seeking to approve the terms of the funding at an EGM to be held on 28th March 2011.

Pictures of the initial refurbishment operations can be seen at <http://www.poseidon-nickel.com.au>