

21<sup>st</sup> December 2012

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

Dear Sir

**Re: DRILLING HIT AT MT WINDARRA EXTENDS MINERALISATION**

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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**Shareholder Enquiries**

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**Registered Office**

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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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ASX Announcement

21<sup>st</sup> December 2012

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**Drilling Hit at Mt Windarra Extends Mineralisation**

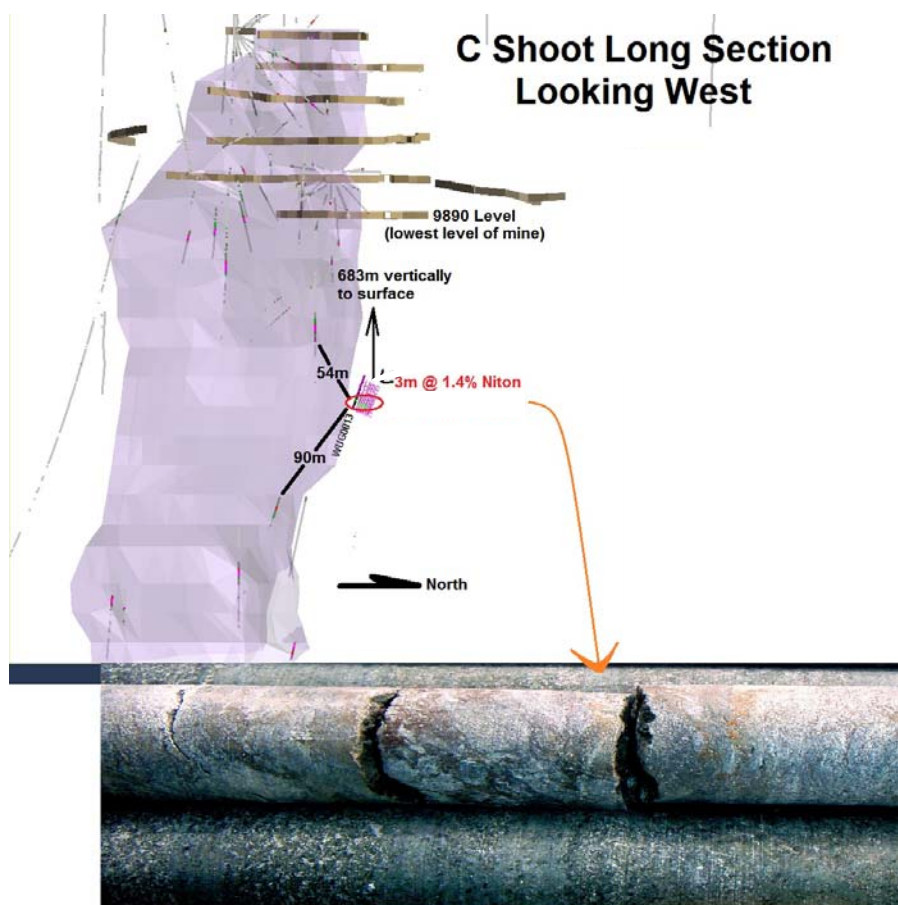
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- **High speed and diamond drill commissioning proceeding well with over 600m drilled to date**
- **Initial hole has intersected nickel sulphides outside the current known ore mineralisation boundary, with Niton readings indicating good grades**
- **Draft Independent Experts Report received**

Poseidon Nickel Limited (ASX:POS) is pleased to announce an update on drilling progress at the Windarra Nickel Project.

The initial objective, to be completed before the end of the year, is to test and commission a new type of drilling system to Australia which has, in other overseas applications, shown the potential to dramatically increase drilling rates compared to normal coring practices alone. During this commissioning phase, Poseidon has completed hole WUG0013 which intersected nickel sulphides approximately 20m beyond the defined mineralised shoot, in a northern position 54 metres below and 90 metres above previous WMC intersections which defined the extent of the C Shoot mineralised ore body (see attached diagram). Preliminary scans have been undertaken by Poseidon's geologists using a handheld Niton\* XRF analyser which indicates an approximate zone of 3m @ 1.4% nickel, including smaller higher grade stringers which are reporting up to 5% Ni. It should be noted that Niton readings on non-composited core may not be reliable. Core samples have been sent to an independent laboratory for testing with results likely in February 2013. The Niton scans do however indicate the presence of nickel sulphides outside of and adjacent to the current mineralised resource boundary. This has the potential to increase the size of the Mt Windarra resource as this area of the deposit was untested by WMC. The drilling programme will recommence in early January and is expected to continue for several months.

Poseidon is also pleased to confirm that it has now received the draft Independent Experts Report (IER) on the Definitive Feasibility Study (DFS) for the Windarra Nickel Project. Poseidon has previously indicated that this was a pre-requisite to publication of the key DFS data. The IER is now being reviewed by the Company and when it is finalised, Poseidon will announce the DFS findings to the market.



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.

*(\*Cautionary statement: Portable XRF analysis may not be representative of the whole sample, nor should it be taken as a substitute for laboratory analysis.)*

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

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

*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.*