

10 March 2010

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

Dear Sir

Re: HALF YEARLY REPORT AND ACCOUNTS TO 31 DECEMBER 2009

We enclose herewith the half yearly report and accounts to 31 December 2009 for Poseidon Nickel Limited.

Yours faithfully



David P.A. Singleton
MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

Enc

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
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
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Media Enquiries

Mr Paul Downie
FD Third Person
P: 61 8 9386 1233 M: 0414 947 129
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Home Exchange

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



POSEIDON NICKEL LIMITED

ABN 60 060 525 206

Interim Financial Report 31 December 2009

Poseidon Nickel Limited

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Poseidon Nickel Limited

Corporate directory

ABN: 60 060 525 206
Incorporated in Australia

Directors

Mr A Forrest
Mr C Indermaur
Mr R Monti
Mr G Brayshaw
Mr D Singleton

Company Secretary

Mr R Kestel

Registered Office

Level 2, 100 Railway Road
Subiaco WA 6008

Principal Office

Unit 8, Churchill Court
331-335 Hay Street
Subiaco WA 6008
Website: www.poseidon-nickel.com.au
Email: admin@poseidon-nickel.com.au
Telephone: +61 8 9382 8799
Facsimile: +61 8 9382 4760

Postal Address

PO Box 190
West Perth WA 6872

Auditors to the Company

KPMG
Chartered Accountants
235 St George's Terrace
Perth WA 6000

Share Registry

Computershare Investor Services Pty Ltd.
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000

ASX Code

Shares: POS

Country of Incorporation and Domicile

Australia

Poseidon Nickel Limited

Directors' report

The directors present their report together with the condensed consolidated interim financial report of Poseidon Nickel Limited ('the Company') and of the Group, being the Company and its subsidiaries for the six months ended 31 December 2009 and the auditor's review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
Mr Andrew Forrest <i>Chairman & Non-Executive Director</i>	Appointed 2 July 2007
Mr Christopher Indermaur <i>Non-Executive Director</i>	Appointed 2 April 2009
Mr Richard Monti <i>Non-Executive Director</i>	Appointed 4 April 2007
Mr Geoff Brayshaw <i>Non-Executive Director</i>	Appointed 1 February 2008
Executive	
Mr David Singleton <i>Managing Director & Chief Executive Officer</i>	Appointed 1 February 2008

Review of operations

The Company has reported a loss for the period of \$1,105,000 (2008: Profit of \$5,934,000), however after recognising the net change in the fair value of the investment in Triton Gold Ltd of \$1,240,000, the Company has reported a total comprehensive income for the period of \$135,000 (2008: \$5,934,000). At an operating level before finance costs, which removes the significant movement in the fair value and foreign exchange in relation to the US\$15 million convertible note (refer to note 10 of the interim financial statements), the Company made a loss of \$1,291,000 (2008: Loss of 4,561,000).

With a significant resource base that now stands at 97,331 nickel tonnes (see Table 1), Poseidon remains committed to the Windarra Nickel Project and believes that through its programme of resource drilling, refurbishment and feasibility work, the company has lifted the projects prospectivity considerably. In order to continue to advance the project, the priorities over the coming periods are to:

- Undertake additional drilling activities to add to the understanding of the near surface characteristics of the newly discovered Cerberus deposit;
- Review potential for drilling activity to further extend the newly JORC defined resource at South Windarra;
- Identify the next exploration opportunity along the belt previously identified through geochemical activity;
- Update the pre-feasibility completed in 2008 to take account of the potential higher throughput tonnages which could lower processing costs;
- Identify an off-take partner to assist in funding the considerable exploration potential of the tenements.

Over the past 12 months, the Company has rigorously examined numerous potential acquisitions with the intent to add significant value to the core Windarra project. Whilst the Company continues to pursue opportunities, it will never compromise on the key driver to deliver increased shareholder value.

Poseidon Nickel Limited

Directors' report

Review of operations (continued)

Exploration

The Company is intent on identifying the next priority drill target to follow up on the new Cerberus nickel sulphide ore body discovery. In early 2009, Poseidon sought to identify the main nickel bearing lava channels believed to be positioned in the 24km strike zone between Mt Windarra and South Windarra mines. The identification of the likely lava channels was the culmination of a major exercise of compiling electronically almost 20 years of rock sampling and geochemical testing undertaken along the ultramafic belt by Western Mining Corp (WMC) and Burril Exploration Ltd (Burril). In addition, the Company undertook its own sampling programme where data was incomplete or missing.

The historic data identified 6 anomalous zones believed to be volcanic lava channels which may, potentially, be the source of underground nickel mineralisation. Poseidon subsequently drilled the first of these anomalous zones and discovered a new high grade nickel deposit. The Cerberus deposit has a JORC compliant resource of 1.03 million tonnes at 2.45% nickel for 25,269 nickel metal tonnes (see Table 1). The resource is open in 3 directions and further drilling is required to measure the full extent of the ore body. In addition, Poseidon also calculated the first JORC compliant resource estimation for the South Windarra Mine area of 902,730t at 1.14% Ni for 10,298 nickel metal tonnes (see Table 1).

Table 1: Windarra Nickel Project 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%	1,017,429	1.24	12,578	2,751,087	1.79	49,185	3,768,516	1.64	61,764
South Windarra	0.90%	820,326	1.15	9,434	82,404	1.05	864	902,730	1.14	10,298
Cerberus	1.50%				1,033,328	2.45	25,269	1,033,328	2.45	25,269
Total Sulphide		1,837,755	1.20	22,012	3,866,819	1.95	75,318	5,704,574	1.71	97,331

The exploration programme at the Windarra Nickel Project is intended to identify the next priority drill target for the remaining 5 untested zones. The initial work will comprise of a detailed geochemical soil sampling programme to include analysis for both nickel and gold, as well as a full range of path finder elements. The detailed soil sampling programme that commenced in early February will yield multi-element analysis at higher quality and much lower detection limits than those available to WMC and Burril in the 1970-1980s.

Poseidon has informed Eagle Eye Metals Limited that it is withdrawing from the Waite Kauri joint venture as work undertaken to date has identified that the size and style of the mineralisation does not meet the Company's requirements.

Poseidon Nickel Limited

Directors' report

Operations

Monitoring of the underground mine whilst it remains on care and maintenance has shown no significant deterioration of the rehabilitated decline and due to the slow rise in water levels, pumping has not been required to recommence at this stage. The underground water level continues to remain below the point in the decline at which the refurbishment was stopped.

Note: The information in this report relates to Exploration Results and Mineral Resources based on information compiled by Mr N Hutchison who is a Member of The Australian Institute of Geoscientists. Mr Hutchison has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is 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.' He has 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 Stock Exchange has not received and does not accept responsibility for the accuracy or adequacy of this release.

Dividends

No dividends were paid or proposed during the interim period ended 31 December 2009.

Subsequent events

On 1 March 2010 the Company undertook a capital raising for A\$2,000,000 through the issue of 8,000,000 shares at an issue price of A\$0.25 per share. The placement was undertaken within the Company's 15% placement capacity and the capital raised will be used by the Company for interim working capital.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the six months ended 31 December 2009.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:



Mr G Brayshaw
Director

Perth
10 March 2010



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Poseidon Nickel Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

G. Hogg

Graham Hogg
Partner

Perth

10 March 2010

Poseidon Nickel Limited

Condensed consolidated statement of financial position

As at 31 December 2009

In thousands of AUD

	<i>Note</i>	Consolidated	
		31 Dec 2009	30 Jun 2009
Assets			
Property, plant and equipment	8	1,898	2,013
Exploration and evaluation expenditure	11	39,572	38,610
Other investments		1,845	605
Other		3,500	3,500
Total non-current assets		46,815	44,728
Cash and cash equivalents		1,036	3,552
Trade and other receivables		94	127
Prepayments		40	-
Other		24	24
Total current assets		1,194	3,703
Total assets		48,009	48,431
Equity			
Share capital	16	73,701	73,508
Reserves		235,071	233,564
Accumulated losses		(276,350)	(275,245)
Total equity attributable to equity holders of the Company		32,422	31,827
Total equity		32,422	31,827
Liabilities			
Loans and borrowings	12	166	204
Total non-current liabilities		166	204
Trade and other payables		920	1,841
Loans and borrowings	12	9,413	9,505
Convertible note derivative	13	1,582	1,526
Employee benefits		6	28
Provisions	15	3,500	3,500
Total current liabilities		15,421	16,400
Total liabilities		15,587	16,604
Total equity and liabilities		48,009	48,431

The condensed notes on pages 12 to 19 are an integral part of these consolidated interim financial statements.

Poseidon Nickel Limited

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2009

In thousands of AUD

	<i>Note</i>	Consolidated	
		31 Dec 2009	31 Dec 2008*
Other income	9	759	181
Depreciation expense		(13)	(17)
Personnel expenses		(438)	(539)
Exploration costs written off	11	(318)	(1,810)
Corporate and administration costs		(751)	(1,148)
Share based payment expense	14	(433)	(581)
Misappropriation expense	17	-	(496)
Other expenses		(97)	(151)
Results from operating activities		(1,291)	(4,561)
Finance income		1,169	21,102
Finance expenses		(983)	(10,607)
Net finance costs	10	186	10,495
Profit / (loss) before income tax		(1,105)	5,934
Income tax expense		-	-
Profit / (loss) for the period		(1,105)	5,934
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		1,240	-
Other comprehensive income for the period, net of income tax		1,240	-
Total comprehensive income for the period		135	5,934
Earnings per share			
Basic and diluted profit / (loss) per share (cents/share)		(0.66)	3.62

*The condensed notes on pages 12 to 19 are an integral part of these consolidated interim financial statements.*** Restated, refer to note 17*

Poseidon Nickel Limited

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2008

In thousands of AUD

Balance at 1 July 2008

Profit / (loss)*

Other comprehensive income

Total other comprehensive income

Total comprehensive income for the period

Transactions with owners recorded directly in equity

Contributions by and distributions to owners

Issue of share capital (net of costs)

Issue of options (net of costs)

Total contributions by and distributions to owners

Total transactions with owners

Balance at 31 December 2008

Note	Issued Capital	Share based payment reserve	Fair value reserve	Option premium reserve	Accumulated losses	Total equity
	71,791	232,354	-	510	(282,686)	21,969
	-	-	-	-	5,934	5,934
	-	-	-	-	-	-
	-	-	-	-	5,934	5,934
	1,489	-	-	-	-	1,489
	-	337	-	-	-	337
	1,489	337	-	-	-	1,826
	1,489	337	-	-	-	1,826
	73,280	232,691	-	510	(276,752)	29,729

For the six months ended 31 December 2009

In thousands of AUD

Balance at 1 July 2009

Profit / (loss)

Other comprehensive income

Net change in fair value of available-for-sale assets, net of tax

Total other comprehensive income

Total comprehensive income for the period

Transactions with owners recorded directly in equity

Contributions by and distributions to owners

Issue of share capital (net of costs)

Issue of options (net of costs)

Total contributions by and distributions to owners

Total transactions with owners

Balance at 31 December 2009

Note	Issued Capital	Share based payment reserve	Fair value reserve	Option premium reserve	Accumulated losses	Total equity
	73,508	233,054	-	510	(275,245)	31,827
	-	-	-	-	(1,105)	(1,105)
	-	-	1,240	-	-	1,240
	-	-	1,240	-	-	1,240
	-	-	1,240	-	(1,105)	135
	193	-	-	-	-	193
	-	267	-	-	-	267
	193	267	-	-	-	460
	193	267	-	-	-	460
	73,701	233,321	1,240	510	(276,350)	32,422

The condensed notes on pages 12 to 19 are an integral part of these consolidated interim financial statements. * Restated, refer to note 17.

Poseidon Nickel Limited

Condensed consolidated statement of cash flows

For the six months ended 31 December 2009

In thousands of AUD

	Note	Consolidated	
		31 Dec 2009	31 Dec 2008
Cash flows from operating activities			
Profit (loss) for the period		(1,105)	6,404
Adjustments for:			
Depreciation		13	17
Exploration expenses written off		318	1810
Change in fair value of derivative		203	(20,659)
Foreign exchange (gain)/loss		(1,051)	9,341
Interest expense		780	1,151
Gain on sale of exploration assets		(300)	-
Share based payments		433	606
		(709)	(1,330)
Change in trade and other receivables		(7)	(7)
Change in trade and other payables		(39)	97
Change in provisions		(22)	(75)
Net cash used in operating activities		(777)	(1,315)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(2,019)	(7,911)
Payments for property, plant and equipment	8	(14)	(406)
Proceeds from sale of non-current assets		300	-
Net cash used in investing activities		(1,733)	(8,317)
Cash flows from financing activities			
Proceeds from the issue of shares and options		-	1,219
Proceeds from borrowings		47	-
Repayment of borrowings		(19)	-
Payment of finance lease liabilities	12	(34)	(30)
Net cash (used in)/from financing activities		(6)	1,189
Net decrease in cash and cash equivalents		(2,516)	(8,443)
Cash and cash equivalents at 1 July		3,552	14,365
Cash and cash equivalents at 31 December		1,036	5,922

The condensed notes on pages 12 to 19 are an integral part of these consolidated interim financial statements.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Poseidon Nickel Limited ("the Company") is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled operations.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2009 is available upon request from the Company's registered office at Spectrum Level 2, 100 Railway Road, Subiaco WA 6000 or at www.poseidon-nickel.com.au.

2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 134 *Interim Financial Reporting*. They do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2009.

This consolidated interim financial report was approved by the Board of Directors on 10 March 2010.

3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2009.

(a) Change in accounting policy

(i) Presentation of financial statements

The Group applies IAS 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 31 December 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(ii) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

3. Significant accounting policies (continued)

(a) Change in accounting policy (continued)

(ii) Determination and presentation of operating segments (continued)

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying this Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2009.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2009.

6. Financial position

The consolidated interim financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the six months ended 31 December 2009 the Company incurred a loss of \$1,105,000 (2008: profit \$5,934,000) and had a net working capital deficit of \$14,227,000 (2008: deficit \$12,697,000). The working capital deficit includes the following items; the convertible note liability of \$9,312,000 and the convertible note derivative liability of \$1,582,000 that can only be settled in shares if called by the note holders prior to its redemption date of 25 June 2014 and a provision for environmental rehabilitation of \$3,500,000 that is cash backed.

The Company had a net cash outflow used in investing activities of \$1,733,000 (2008: outflow \$8,317,000), significantly lower than the same period the previous year following cost reduction measures put in place due to the economic downturn. This has reduced the level of operating expenditure and enabled the Company to preserve its cash position.

The Company will require further funding in order to meet day-to-day obligations as they fall due and progress its exploration and mine development projects as budgeted. The Board of Directors is aware, having prepared a cashflow budget, of the Company's working capital requirements and the need to access additional funding in the next six months to avoid any uncertainty that the Company and the consolidated entity can continue as a going concern and therefore whether it would need to realise its assets and extinguishment of liabilities other than in the normal course of business at amounts stated in the interim financial report.

The Company has completed a capital raising of A\$2 million subsequent to the reporting date to continue the evaluation of its current projects and to provide interim working capital. The Board is confident in securing additional funding to provide working capital for at least the next 18 months and is negotiating with interested parties regarding a number of funding options that includes existing funding arrangements and further debt and capital raisings should this be required.

The Company considers the going concern basis of preparation to be appropriate for this financial report.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

7. Operating segments

The Group has one reportable segment, being nickel exploration and evaluation in Australia.

Information about reportable segments

<i>In thousands of AUD</i>	Consolidated Nickel exploration and evaluation	
	31 Dec 2009	31 Dec 2008
For the six months ended 31 December		
Reportable segment profit / (loss) before income tax	324	(1,630)
Reportable segment assets	44,922	43,314
Reconciliations of reportable segment loss and assets		
Loss		
Total profit / (loss) for reportable segments	324	(1,630)
Unallocated amounts: other corporate assets	(1,615)	(2,931)
Net finance costs	186	10,495
	<u>(1,105)</u>	<u>5,934</u>
Assets		
Total assets for reportable segments	44,922	43,314
Other assets	3,087	6,522
	<u>48,009</u>	<u>49,836</u>

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2009.

8. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2009 the Group acquired assets with a cost of \$14,000 (2008: \$410,000). No assets were disposed of during the six months ended 31 December 2009 or 31 December 2008.

9. Other income

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2009	31 Dec 2008
Sundry income	116	1
Other income	343	180
Net gain on sale of exploration assets	300	-
	<u>759</u>	<u>181</u>

On 5 August 2009 the Company received \$300,000 from Triton Gold Ltd following the successful completion of its Initial Public Offering ("IPO") and as part of the agreement for the sale of gold rights entered into in March 2009.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

10. Finance income and expense

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2009	31 Dec 2008
Interest income on bank deposits	73	443
Net foreign exchange gain	1,096	-
Change in fair value of convertible note derivative	-	20,659
Finance income	1,169	21,102
Interest expense – convertible note	(780)	(1,151)
Net foreign exchange loss	-	(9,456)
Change in fair value of convertible note derivative	(203)	-
Finance expense	(983)	(10,607)
Net finance income and expense	186	10,495

11. Exploration and evaluation expenditure

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2009	30 Jun 2009
Costs carried forward in respect of areas of interest in the following phase:		
Exploration and evaluation phase	39,572	38,610
Reconciliations: Exploration and evaluation phase		
Carrying amount at beginning of year	38,610	31,975
Additions	1,280	8,792
Exploration expenditure written off	(318)	(2,157)
	39,572	38,610

The ultimate recoupment of costs carried forward for exploration and evaluation is dependant on the successful development and commercial exploitation or sale of the respective areas of interest.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

12. Loans and borrowings

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2009	30 Jun 2009
Current liabilities		
Current portion of finance lease liabilities	73	69
Convertible note liability	9,312	9,436
Other	28	-
	<u>9,413</u>	<u>9,505</u>
Non-current liabilities		
Finance lease liabilities	166	204
	<u>166</u>	<u>204</u>

Convertible Notes

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2009	30 Jun 2009
Carrying amount of liability at beginning of period	9,436	6,443
Exchange rate effects	(904)	1,013
Accrued interest capitalised	780	1,980
Carrying amount of liability at end of period	<u>9,312</u>	<u>9,436</u>

The Company issued 15,000,000 AU\$1.00 Convertible Notes for US\$15 million on 25 June 2008. The notes are convertible into ordinary shares of the Company at the option of the holder at anytime up to 25 June 2014 or repayable on 25 June 2014. The conversion rate is fixed at AU\$1.00. The instrument is interest free for the first three years and then bears a coupon rate of 5% thereafter until maturity.

13. Convertible note derivative

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2009	30 Jun 2009
Carrying amount of liability at beginning of period	1,526	17,470
Fair value movement	202	(22,227)
Exchange rate effects	(146)	6,283
Carrying amount of liability at end of period	<u>1,582</u>	<u>1,526</u>

The Company has on issue a convertible note for US\$15 million. Pursuant to accounting standards the option component of the convertible note is classified as a derivative liability. The value of the derivative fluctuates with the Company's underlying share price and the difference in the Company's share price between 30 June 2009 (share price \$0.25) and 31 December 2009 (share price \$0.24) is reflected in the fair value movement for the 31 December 2009 period.

As the convertible note is denominated in United States dollars (USD), the change in the exchange rate with the Australian dollar (AUD) is also taken into account in deriving the fair value movement during the period. The USD:AUD exchange rate at 30 June 2009 was 0.8114:1 and at 31 December 2009, 0.8974:1.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

14. Share-based payments

Options

No options were granted to directors or executives during the reporting period.

Shares

The terms and conditions of share grants made during the six months ended 31 December 2009 are as follows:

Grant date / employees entitled	Number of Instruments	Vesting conditions
Shares granted to executive director on 24 November 2009	225,000	The shares have a 3 year vesting period
Shares granted to executives and employees on 21 October 2009	413,000	The shares have a 3 year vesting period
Total shares	638,000	

The fair value of services received in return for shares granted is based on the fair value of shares granted, which is measured using the share price on the grant date. The inputs are as follows:

	Directors 31 Dec 2009	Executives 31 Dec 2009
<i>Fair value of hybrids and assumptions</i>		
Fair value of grant	\$0.26	\$0.26

Hybrids

The terms and conditions of hybrid grants made during the six months ended 31 December 2009 are as follows:

Grant date / employees entitled	Number of Instruments	Vesting conditions
Hybrids granted to non-executive directors on 24 November 2009	161,047	The hybrids vested immediately upon grant
Hybrids granted to non-executive directors on 31 December 2009 (Shares issued post 31/12/09)	214,097	The hybrids vested immediately upon grant
Hybrids granted to executive director on 24 November 2009	450,000	The hybrids have a 3 year vesting period
Hybrids granted to executives and employees on 21 October 2009	826,000	The hybrids have a 3 year vesting period
Total shares	1,651,144	

The hybrids purchased as at 31 December 2009 have a purchase price in the range of \$0.2816 to \$0.3743.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

14. Share-based payments (continued)

The fair value of services received in return for hybrids granted is based on the fair value of hybrids granted, which is measured using the share price on the grant date. The inputs are as follows:

	Directors	Executives
<i>Fair value of shares and assumptions</i>	31 Dec 2009	31 Dec 2009
Fair value of grant	\$0.29	\$0.26

Share based payment expense

<i>In AUD</i>	Consolidated	
	31 Dec 2009	31 Dec 2008
Share options granted in 2009 – equity settled	35,363	6,535
Share options granted in 2008 – equity settled	231,625	329,751
Shares granted in 2010	5,605	-
Shares granted in 2009	-	123,203
Shares granted in 2008	38,008	39,085
Hybrids granted in 2010	149,000	-
Hybrids granted in 2009	-	82,150
Shares based payment capitalised	(26,445)	-
Total expenses recognised as employee costs	433,156	580,724

15. Provisions

<i>In thousands of AUD</i>	Consolidated	
	31 Dec 2009	30 Jun 2009
Site restoration	3,500	3,500
	3,500	3,500

A provision of \$3,500,000 was made during the year ended 30 June 2009 in respect of the Group's on-going commitment for the environmental rehabilitation of the Windarra mine site. There has been no change to the provision at 31 December 2009.

Poseidon Nickel Limited

Notes to the condensed consolidated interim financial statements

16. Share Capital

<i>In thousands of shares</i>	Consolidated Ordinary shares	
	31 Dec 2009	30 Jun 2009
Ordinary shares		
Fully paid	162,680	160,200
Partly paid	5,567	5,752
Total share capital	168,247	165,952
Movements in ordinary shares on issue:		
On issue at 1 July 2009	165,952	
<i>Shares issued and expensed during the period:</i>		
Granted as a share based payment	1,914	
Issued for directors fees	226	
<i>Shares issued but expensed during the prior period:</i>		
Issued for directors fees	155	
On issue at 31 December 2009	168,247	

17. Misappropriation expense

In the Condensed consolidated statement of comprehensive income and Condensed consolidated statement of changes in equity, the 31 December 2008 comparatives have been restated to reflect the misappropriation expense disclosed and recognised in the financial statements for the year ended 30 June 2009 with \$26,000 reclassified from Corporate and administration costs and \$470,000 previously capitalised as Exploration and evaluation expenditure now recognised as Misappropriation expense.

18. Subsequent events

On 1 March 2010 the Company undertook a capital raising for A\$2,000,000 through the issue of 8,000,000 shares at an issue price of A\$0.25 per share. The placement was undertaken within the Company's 15% placement capacity and the capital raised will be used by the Company for interim working capital.

Poseidon Nickel Limited

Directors' declaration

In the opinion of the directors of Poseidon Nickel Limited ("the Company"):

1. the financial statements and notes set out on pages 8 to 19, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This report is made with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'G F Brayshaw', written in a cursive style.

Mr G Brayshaw
Director

Perth
10 March 2010



Independent auditor's review report to the members of Poseidon Nickel Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Poseidon Nickel Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2009, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies and other explanatory notes 1 to 18 and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half year.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Poseidon Nickel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Poseidon Nickel Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of their performance for the half year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

GTH

Graham Hogg
Partner

Perth

10 March 2010