



Nickel Australia Limited

**2004 Annual Report**

## CORPORATE DIRECTORY

Following its highly successful fund raising (A\$15,000,000) and subsequent listing on the Australian Stock Exchange in December 2003, Nickel Australia Limited (ASX:NKL) is very well placed to grow through exploration success, project acquisitions and joint ventures.



Nickel Australia Limited

### **DIRECTORS**

Campbell Theodore Ansell  
Chairman

Anthony Paul Rovira  
Managing Director

Michael John Fowler  
Non-executive Director

John Walter Saleeba  
Non-executive Director

### **COMPANY SECRETARY**

Dennis William Wilkins

### **REGISTERED OFFICE**

Level 1  
30 Richardson Street  
WEST PERTH WA 6005  
Telephone: (08) 9481 2555  
Facsimile: (08) 9485 1290

### **POSTAL ADDRESS**

P.O. Box 493  
WEST PERTH WA 6872

Website: [www.nickelaustralia.com.au](http://www.nickelaustralia.com.au)  
Email: [admin@nickelaustralia.com.au](mailto:admin@nickelaustralia.com.au)

### **AUDITORS**

Stanton Partners  
Level 1  
1 Havelock Street  
WEST PERTH WA 6005

### **SOLICITORS**

Fearis Salter Power Shervington  
52 Ord Street  
WEST PERTH WA 6005

### **SHARE REGISTRY**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153  
Telephone: (08) 9315 0933  
Facsimile: (08) 9315 2233

### **AUSTRALIAN COMPANY NUMBER**

ACN: 106 346 918



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## CHAIRMAN'S ADDRESS

I am pleased to present the first Annual Report for the period ended June 30th 2004 to Shareholders.

After listing on the ASX in December 2003 your Board and Management set about putting into effect the strategic plan for your Company.

That plan involves a vigorous exploration plan in the Norseman and Davyhurst areas where we have established nickel rights and a selective but aggressive nickel exploration area acquisition program by the Company.

In the short time since listing, Management has been successful in implementing both of these objectives with programs of aircore, diamond and RC drilling in full swing and the successful acquisition of the Bounty and Maggie Hays South exploration projects.

We look forward to further success from the efforts of Management in this year.

I would like to thank Shareholders for their support, Management for their efforts to date, and my fellow Directors for their commitment to the Company.

CAM ANSELL

Chairman

Nickel Australia's strategy is to focus on intensive field exploration to discover, define and develop nickel sulphide ore bodies.

With excellent projects, strong budgets and a sound financial position, Nickel Australia's goal is to grow the Company through exploration success, project acquisitions and joint venture opportunities.



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## HIGHLIGHTS

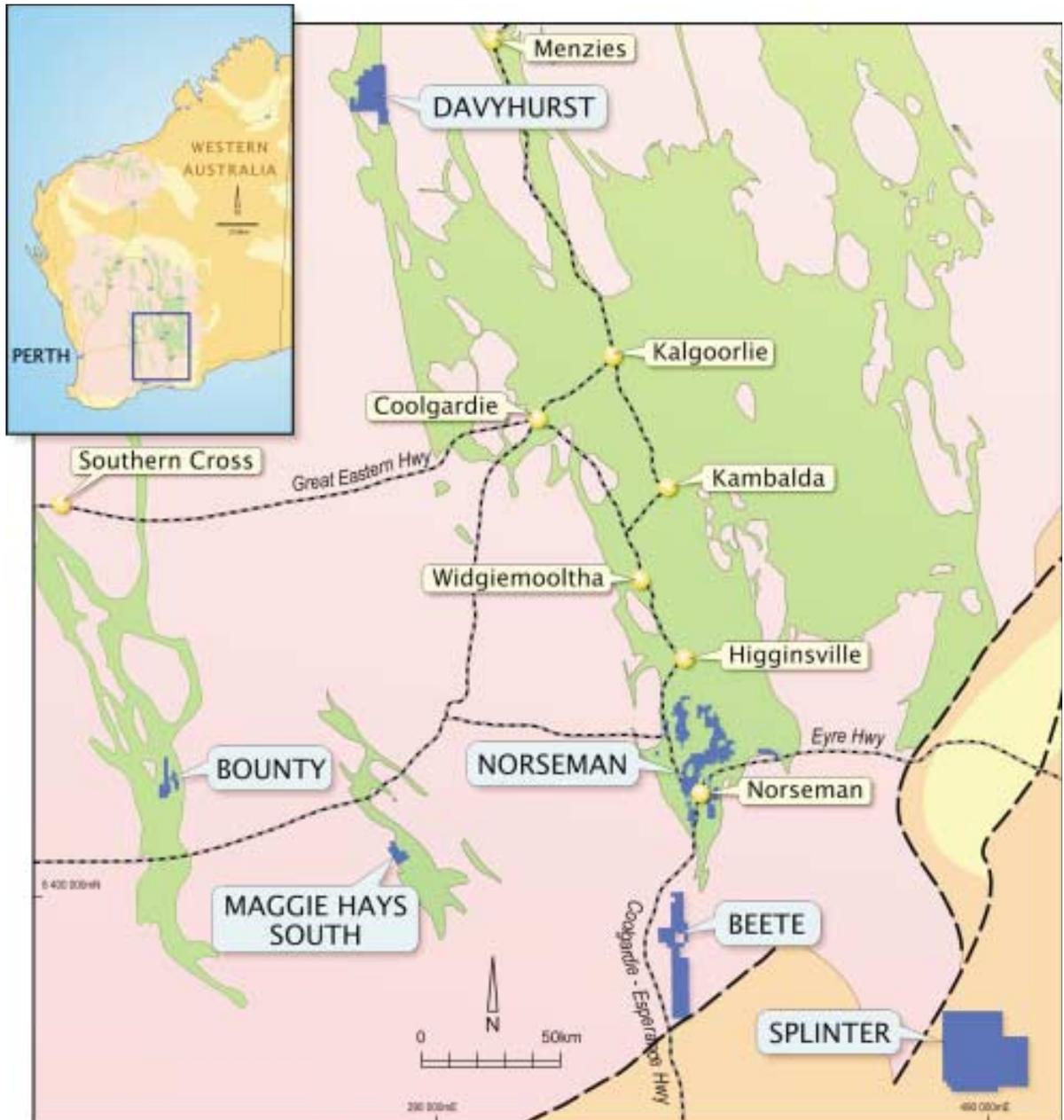
### Exploration

- Intensive field exploration continues at Norseman Project.
- Anomalous nickel mineralisation intersected in aircore drilling.
- Numerous conductors identified in surface electromagnetic surveys.

### Corporate

- Joint Venture formed for nickel and other metals around the historic Bounty Mine located in the Forrestania Greenstone Belt.
- Right of First Refusal exercised to acquire all outstanding interests in the Splinter gold project.
- Joint Venture formed with Hannans Reward NL for nickel and other metals on the Maggie Hays South project located in the Lake Johnston Greenstone Belt.

## OPERATIONS REPORT



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### NICKEL AUSTRALIA'S PROJECTS

#### PROJECT

Norseman

Davyhurst

Beete

Splinter

Bounty

Maggie Hays South

#### OWNERSHIP

Earning 100% of the nickel and base metal rights

Earning 100% of the nickel and base metal rights

Earning 100% of the nickel and base metal rights

100% project ownership

Earning 80% of the nickel and base metal rights

Earning 55% of the nickel and base metal rights



## EXPLORATION ACTIVITY DURING 2003-2004

Aircore Drilling	319 holes for 13,860 metres
Diamond Drilling	7 holes for 2,266 metres
Reverse Circulation Drilling	2 holes for 102 metres
Downhole Electromagnetic Surveys	7 holes surveyed
Surface Electromagnetic Surveys	50.4 line kilometres

## Overview

Following its highly successful fund raising (A\$15,000,000) and subsequent listing on the Australian Stock Exchange in December 2003, Nickel Australia Limited (ASX: NKL) is well placed to grow through exploration success, project acquisitions and joint ventures. The Company is continuing its intensive exploration program and has committed an exploration budget of A\$3.0 million for the 2004-05 year.

Shortly after its formation Nickel Australia acquired from Croesus Mining NL the right to earn 100% of the exploration and mining rights for nickel, base metals, and Platinum Group Metals (PGM's) on three Croesus' projects located near Kalgoorlie, in the Eastern Goldfields region of Western Australia. It also acquired majority ownership of the Splinter gold project located near Esperance.

Since then Nickel Australia has successfully acquired nickel rights to a further two strategically located exploration projects (Bounty and Maggie Hays South), and has also taken the opportunity to acquire all outstanding interests in Splinter thereby increasing project ownership to 100%.

Immediately after listing on the ASX, Nickel Australia commenced intensive field exploration and this high level of activity was sustained throughout the remainder of the year. Work included surface geophysical (electromagnetic) surveying, widespread reconnaissance aircore drilling, and targeted diamond core drilling. Results have been encouraging, identifying several strong electromagnetic conductors and intersecting anomalous nickel and copper mineralisation.



The Company has an experienced Board with the Managing Director being Tony Rovira. Tony was formerly General Manager – Exploration for Jubilee Mines NL, where he led the team which discovered and developed the world class Cosmos and Cosmos Deeps nickel mines. He brings with him a wealth of nickel sulphide, gold and base metal exploration and mining experience.

Furthermore, the Company has successfully attracted a technical team with strong nickel sulphide exploration credentials led by the Exploration Manager Pat Manouge. Pat has extensive nickel and gold exploration experience, and was instrumental in the discovery, evaluation and development of the Cosmos Deeps nickel deposit.

Nickel Australia's strategy is to focus on intensive field exploration to discover, define and develop large mineral deposits, principally base metal sulphides (nickel, copper, lead and zinc) and precious metals (gold, silver and PGM's). The Company will continue to build a strong, well balanced tenement holding containing exciting and prospective projects which, together with a sound financial position and strong budgets, will enable Nickel Australia to grow through exploration success, joint venture opportunities and project acquisitions.

Shareholders are encouraged to visit Nickel Australia's website:

**[www.nickelaustralia.com.au](http://www.nickelaustralia.com.au)**

where full and up-to-date information on the Company's activities can be viewed, including announcements and quarterly reports.



## Review of Operations

Nickel Australia's Norseman Project, located 200km south of Kalgoorlie, covers 420km<sup>2</sup> containing the southern extensions of the ultramafic rocks which host numerous operating nickel mines in the nearby Kambalda and Widgiemooltha districts. The project area is prospective for high grade nickel sulphide deposits and, in light of this significant potential, the Company has focused its exploration efforts at Norseman.

### NORSEMAN

#### Nickel

(Nickel Australia Ltd earning 100% of Nickel Rights)

A review of historical data indicated there has been very little exploration for nickel sulphides in the Norseman area due to a strong focus on gold by previous companies.



However, the minor nickel exploration that has occurred identified several areas containing nickel sulphide mineralisation and anomalous pathfinder elements, indicating the significant potential of this project.

Upon listing, Nickel Australia implemented an intensive exploration program which has continued throughout the year. Work comprised surface electromagnetic surveys and widespread reconnaissance aircore drilling, followed by diamond core drilling and downhole electromagnetic surveys. Prospects explored included Talbot, Jimberlana, Killaloe and Polar Bear.

The aircore drilling returned intercepts anomalous in nickel and other pathfinder elements while the electromagnetic surveys identified numerous sub-surface conductor bodies. By comparing these anomalies with Nickel Australia's geological models, several high priority nickel targets were identified at Polar Bear and Talbot, and testing of these by diamond drilling and downhole electromagnetic surveys was in progress at the end of the year. In addition, further reconnaissance exploration comprising surface electromagnetic surveys and aircore drilling recently commenced at the Pioneer and Woodcutters prospects.



Norseman Nickel Project - Location and Key Prospects



The Splinter Project is located 120km northeast of Esperance and comprises one granted Exploration Licence and three applications for Exploration Licences, which together total 840km<sup>2</sup>. In June Nickel Australia announced that it had exercised its Right of First Refusal under the terms of the Splinter Joint Venture Agreement to acquire all outstanding interests in this project. The Company now owns 100% of this project.

Geologically Splinter is considered prospective for shear-hosted gold deposits, iron oxide copper-gold deposits (Olympic Dam and Ernest Henry style), and intrusive hosted nickel sulphide deposits (Voisey's Bay style).

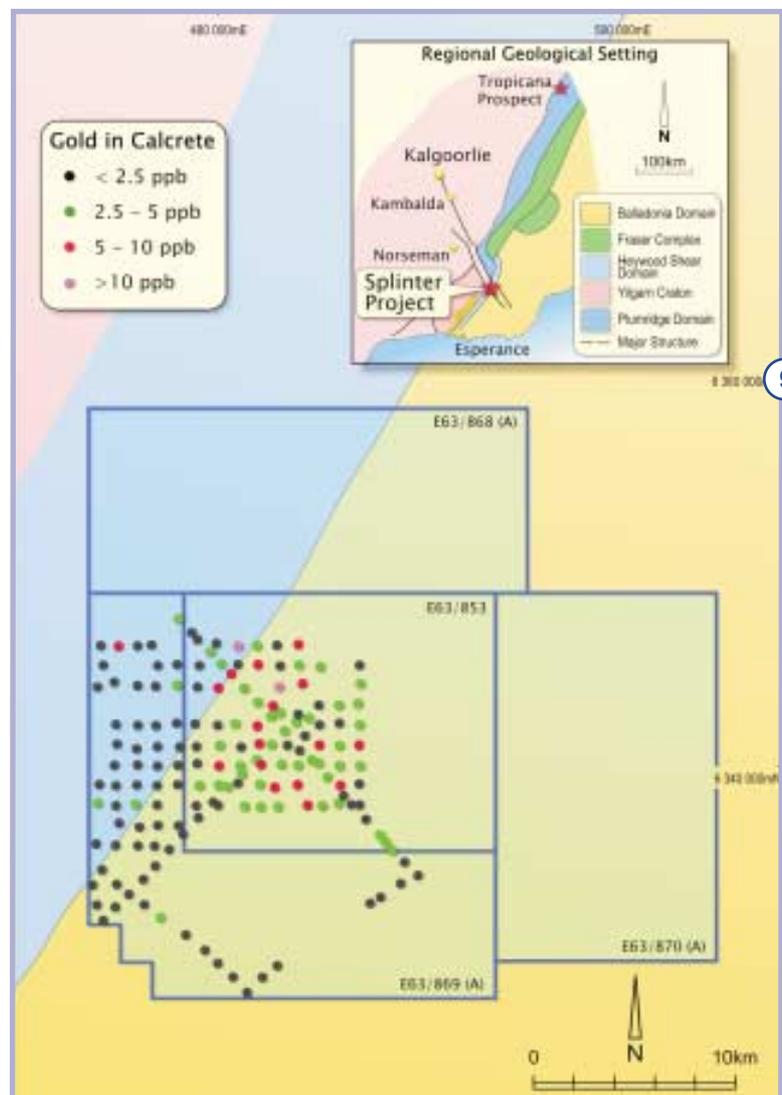
Within the project area, previous exploration identified a large (8.5km x 5.5km) gold-in-calcrete surficial geochemical anomaly situated at the intersection of major structural trends. The dimension and magnitude of the Splinter anomaly is comparable to those that led to the gold discoveries at Tropicana (Independence Group Ltd / AngloGold Australia Ltd), Tunkillia (Helix Resources Ltd), Barns and Baggy Green (Adelaide Resources Ltd / Newmont Australia Ltd).

Splinter represents a significant longer-term exploration target for Nickel Australia. Exploration will commence in the second half of 2004 and will include an airborne magnetic survey, a detailed ground-based gravity survey, and surficial calcrete sampling designed to infill and better define the existing geochemical anomaly. This will be followed by an aircore drilling program to test the geochemical anomalies. Depending upon results from the geophysical surveys, the Company will review the option of deeper drill testing of the targets with Reverse Circulation (RC) and/or diamond core drilling.

## SPLINTER

**Nickel  
Copper  
Gold**

(Nickel Australia  
Ltd 100%)



Splinter Project - Regional Geology and Project Area

## Review of Operations

In May Nickel Australia acquired the right to earn up to 80% of the nickel and base metal rights on the Bounty Project, which contains the now-closed Bounty Gold Mine. Bounty comprises five Mining Lease applications covering 42km<sup>2</sup>, and contains more than 24km strike length of ultramafic rocks known to be prospective for nickel sulphide mineralisation.

The project area is situated within the northern part of the Forrestania greenstone belt, adjacent to the Forrestania nickel projects held by Western Areas NL and LionOre Mining International Ltd. It includes extensions of the ultramafics hosting the Cosmic Boy and Digger Rocks nickel deposits previously mined by Outokumpu and currently

the subject of a feasibility study by Western Areas.

Previous companies working in this part of the Forrestania belt were mostly gold-focused, and consequently the majority of historical exploration concentrated on gold. However some nickel exploration was carried out including shallow RAB drilling, surface and underground diamond core drilling, and some surface electromagnetic surveying. Diamond drilling carried out during the 1990's intersected nickel sulphide mineralisation near the Bounty underground mine workings. Following its successful takeover of Forrestania Gold NL, LionOre reported in its 1996 Annual Report that this mineralised zone had "an extent of about 200 metres along strike and down to 300 metres beneath the surface".

Significant nickel intercepts reported by previous operators include the following:

- 13.25 metres @ 1.23% nickel in MD 69;
- 4.2 metres @ 1.11% nickel in MD 99; and
- 3.5 metres @ 1.19% nickel in BUG 29.

These intercepts confirm that the Bounty ultramafics contain wide zones of significant nickel sulphide mineralisation. In addition, surface EM surveys identified several strong conductors which may indicate the presence of massive nickel sulphide bodies, and to date these anomalies remain untested.

Nickel Australia will commence exploration on the Bounty Project immediately the tenement applications are granted. This will include a detailed airborne magnetic survey, surface and downhole electromagnetic surveys, surface diamond core drilling, and possibly underground diamond drilling via the Bounty underground mine workings.

## BOUNTY

### Nickel

(Nickel Australia Ltd earning 80% of Nickel Rights)



Bounty Project - Regional Geology and Project Area

In July Nickel Australia entered into a joint venture with Hannans Reward NL on the Maggie Hays South Project, with the Company acquiring the right to earn 55% of the nickel and base metal rights. Maggie Hays South comprises applications for seven Prospecting Licences, and is situated in the central part of the Lake Johnston greenstone belt. It is located about 110km west of Norseman and 25km south of the Maggie Hays and Emily Ann nickel mines operated by LionOre Mining International.

The project area covers 12km<sup>2</sup> and contains a 4km strike length of the southern extensions of the rock units which host LionOre's mines. Previous exploration for nickel at Maggie Hays South has been minimal. Historically, a RAB drilling program returned anomalous nickel and copper geochemistry from along the ultramafic footwall contact, and a surface electromagnetic survey identified four conductor anomalies, also located near the basal ultramafic contact.

The presence of geochemical and geophysical anomalies located near a stratigraphic contact associated with large, high grade nickel sulphide deposits elsewhere in the district indicates the Maggie Hays South Project is prospective for hosting significant nickel sulphide mineralisation.

None of the anomalies have been tested by deep drilling, and Nickel Australia will commence an intensive exploration program immediately the tenement applications are

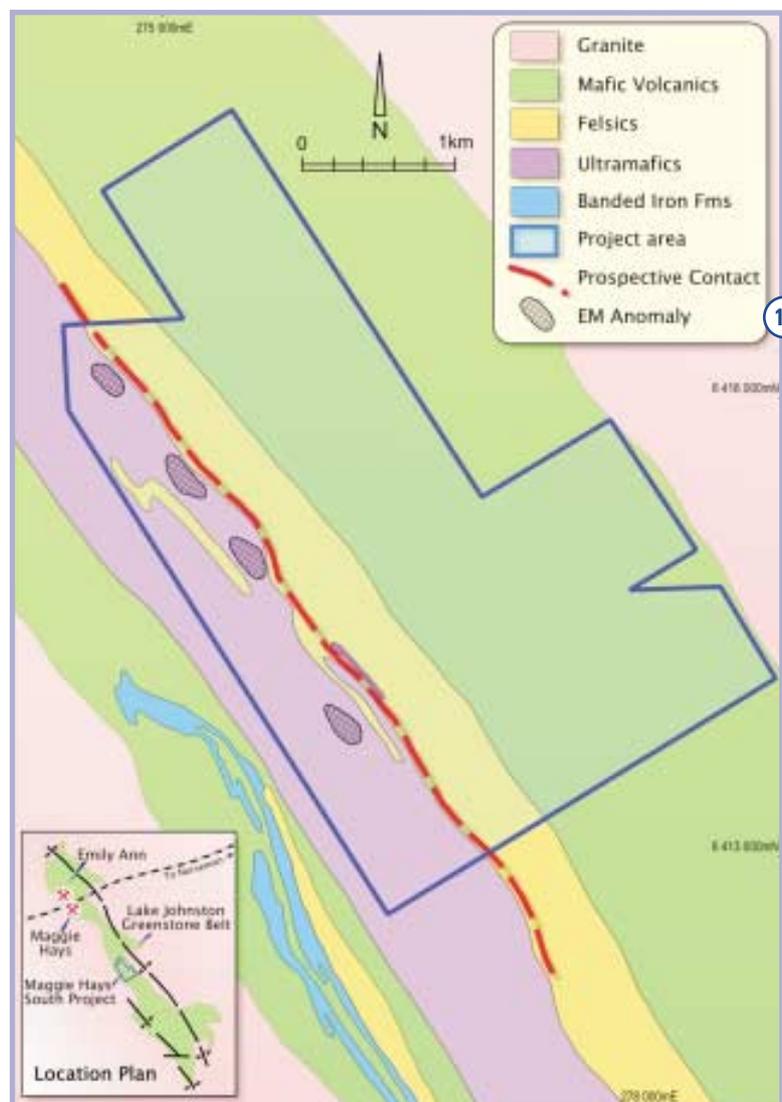


granted. This will include diamond core drilling and downhole electromagnetic surveys to test the already identified targets. Further target generation work comprising infill aircore drilling and detailed fixed loop electromagnetic surveys will also be undertaken.

## MAGGIE HAYS SOUTH

### Nickel

(Nickel Australia Ltd earning 55% of Nickel Rights)



Maggie Hays South - Regional Geology and Project Area

## Review of Operations

### DAVYHURST

#### Nickel

(Nickel Australia Ltd earning 100% of Nickel Rights)

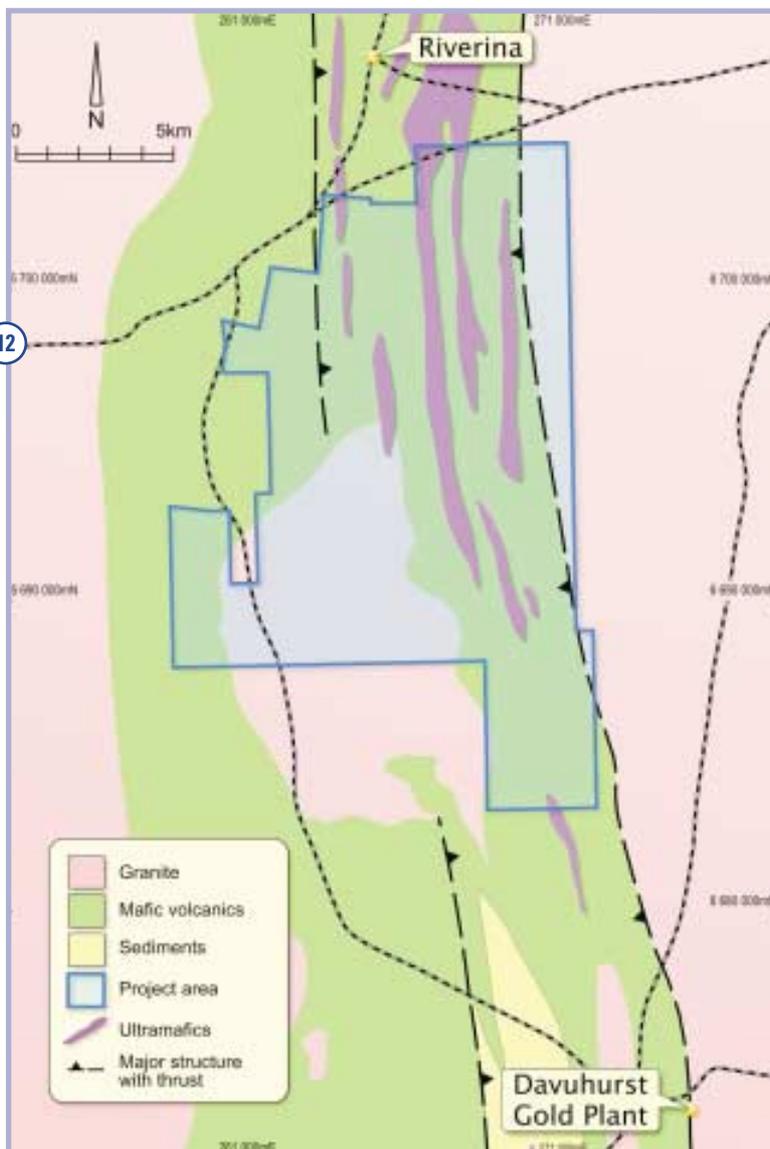
The Davyhurst Project, located 130km north of Kalgoorlie, covers a major historical gold producing area and contains an active gold mine operated by Croesus Mining. It is also considered to be a significant greenfields nickel sulphide exploration project with



anomalous nickel geochemistry present within ultramafic rocks.

Under the terms of the Nickel Rights Agreement with Croesus, Nickel Australia is entitled to carry out nickel and base metal analyses on drill samples collected by Croesus during their exploration programs. In the period to June, Nickel Australia reanalysed 2,610 samples from areas considered prospective for nickel sulphide mineralisation. Several samples returned anomalous nickel grades up to 6m @ 0.77% nickel and the Company is reviewing this data to determine the implications of the results.

During the forthcoming year Nickel Australia will be undertaking surface EM surveys and reconnaissance aircore drilling over the largest of the ultramafic units in the project area.

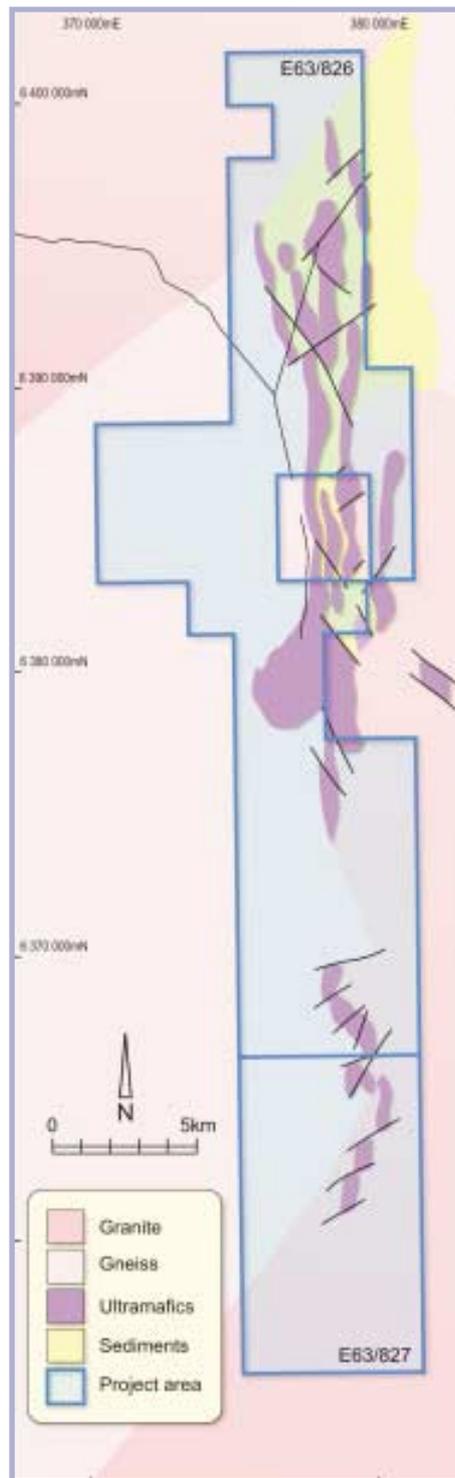




The Beete Project comprises two Exploration Licences (one still in application stage) situated 60km south of Norseman near the township of Salmon Gums. The southern half of the project area overlies agricultural freehold land.

Most of the tenement holding is overlain by a thin cover of transported soil and weathered bedrock. Previous exploration has comprised aeromagnetic surveys, soil sampling and first pass RAB and RC drilling. This has confirmed the presence of north-south trending ultramafic units, which are interpreted to be part of the southernmost extension of the Wiluna-Norseman greenstone belt, and identified anomalous nickel geochemistry.

To date Nickel Australia has not undertaken any field exploration on this project, however the Company intends to carry out geophysical surveys and reconnaissance drilling during the next year.



**BEETE  
Nickel**  
(Nickel Australia  
Ltd earning 100%  
of Nickel Rights)

This report has been compiled by Mr Tony Rovira (Managing Director – Nickel Australia Ltd) who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) with more than 20 years experience in the mining industry. Mr Rovira has relevant experience in relation to the geology and mineralisation being reported on and qualifies as a Competent Person as defined by the Joint Ore Reserve Committee (JORC) of the AusIMM.

## CORPORATE GOVERNANCE

The membership of the Board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake Board's duties and responsibilities.

### **The Board of Directors**

The Company's Constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of directors required to supervise adequately the Company's Constitution determined within the limitations imposed by the Constitution and as circumstances demand.

The membership of the Board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next general meeting. Under the Company's Constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

### **Appointments to Other Boards**

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other Boards.

### **Independent Professional Advice**

The Board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

### **Remuneration Policies**

The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria agreed annually which is based on various criteria. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

Executives are also entitled to participate in the employee share and option arrangements.

The amount of remuneration for all directors and the five highest paid executives, including all monetary and non-monetary components are detailed in the note 14 to the financial report. All remuneration paid to executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the company.

### **Performance Evaluation**

The chairman reviews the performance of all Directors each year. Directors whose performance is unsatisfactory are counselled.

### **Continuous Review of Corporate Governance**

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The Directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.



## CORPORATE GOVERNANCE

	<b>ASX Principle</b>	<b>Status</b>	<b>Reference/comment</b>
	<b>Principle 1: Lay solid foundations for management and oversight</b>		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management	Comply	Refer to the Company's Corporate Governance Statement 1.1 and 1.2 available on the Company section website
	<b>Principle 2: Structure the board to add value</b>		
2.1	A majority of board members should be independent directors	Comply	
2.2	The chairperson should be an independent director	Comply	The Company's current chairman is regarded as independent in accordance with the definition of independence contained in the Corporate Governance Statement
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	Comply	Corporate Directory
2.4	The Board should establish a nomination committee	Do not comply	The Company does not have a formal nomination committee, however the whole Board meets to consider additional appointments to the Board.
2.5	Provide the information indicated in <b>Guide to Reporting on Principle 2</b>	Do not comply	The Company considers the expense of complying with this Principle as unwarranted as costs outweigh potential benefits.
	<b>Principle 3: Promote ethical and responsible decision-making</b>		
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity 3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices	Comply	Website
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	Comply	Website
3.3	Provide the information indicated in <b>Guide to Reporting on Principal 3</b>	Comply	Corporate Governance Statement section 7 as disclosed on the Company website
	<b>Principal 4: Safeguard integrity in financial reporting</b>		
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards	Comply	Corporate Governance Statement section 8 as disclosed on the Company website
4.2	The Board should establish an audit committee	Comply	Corporate Governance Statement section 7 as disclosed on the Company website
4.3	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> <li>• Only non-executive directors</li> <li>• A majority of independent directors</li> <li>• An independent chairperson who is not the chairperson of the Board</li> <li>• At least three members</li> </ul>	Comply	
4.4	The audit committee should have a formal charter	Comply	Website
4.5	Provide the information indicated in <b>Guide to Reporting on Principle 4</b>	Comply	Corporate Governance Statement section 7 as disclosed on the Company website

<b>ASX Principle</b>		<b>Status</b>	<b>Reference/comment</b>
<b>Principle 5: Make timely and balanced disclosure</b>			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	Comply	Corporate Governance Statement section 8 as disclosed on the Company website
5.2	Provide the information indicated in <b>Guide to Reporting on Principle 5</b>	Comply	Corporate Governance Statement section 8 as disclosed on the Company website
<b>Principle 6: Respect the rights of shareholders</b>			
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	Comply	Corporate Governance Statement section 11 as disclosed on the Company website
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report	Comply	Corporate Governance Statement section 7 as disclosed on the Company website
<b>Principle 7: Recognise and manage risk</b>			
7.1	The Board or appropriate board committee should establish policies on risk oversight and management	Do not comply	The Company is in the process of setting up formal written risk management policies.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board 7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	Comply	Corporate Governance Statement section 8 as disclosed on the Company website
7.3	Provide information indicated in <b>Guide to Reporting on Principle 7</b>	Do not comply	The Company considers that the Executive Director monitors risk on a daily basis as he is actively involved in the day to day management of the Company. The setting up of formal written risk management policies is in process.
<b>Principle 8: Encourage enhanced Performance</b>			
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives	Comply	Corporate Governance Statement section 6 and 8.1.3 as disclosed on the Company website
<b>Principle 9: Remunerate fairly and responsibly</b>			
9.1	Provide disclosure in relation to the company's remuneration policies and benefits to these policies and the link between remuneration paid to directors and key executives and corporate performance.	Comply	Corporate Governance Statement section 6 as disclosed on the Company website
9.2	The Board should establish a remuneration committee	Comply	Corporate Governance Statement section 6 as disclosed on the Company website
9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	Comply	Disclosed in notes to Annual Financial Report
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	Comply	All current executives have had options approved by shareholders.
9.5	Provide information indicated in <b>Guide to Reporting on Principle 9</b>	Comply	Corporate Governance Statement section 6 as disclosed on the Company website
<b>Principle 10: Recognise legitimate interests of Stakeholders</b>			
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	Comply	Code of Conduct – Published on website





The Board of directors of Nickel Australia Limited have pleasure in presenting their report on the Company for the period from incorporation on 19 September 2003 to 30 June 2004.

## DIRECTORS' REPORT

### Directors and Company Secretary

The names and details of the directors in office at the date of this report are:

**Campbell T Ansell** FCA, MAICD

#### Chairman

Cam is a Chartered Accountant who is also a director of Croesus Mining NL, Universal Resources Ltd, De Grey Mining Limited and is Chairman of Dragon Mining NL. He has a long term involvement with the resources sector and was previously Chairman of Commissioners for Wanneroo and Chairman of the Conservation Committee of Western Australia.

**Anthony (Tony) Paul Rovira** BSc Flinders University, BSc (Hons) Flinders University, MAusIMM, MAICD

#### Managing Director

Tony is the Managing Director of Nickel Australia Limited. He has over 20 years experience in the mining industry, both as an exploration geologist in gold and base metals, and as a mining geologist in open pit and underground operations. From 1997-2003 Tony was the General Manager - Exploration with Jubilee Mines, during which time he led the team which discovered and developed the world class Cosmos and Cosmos Deeps massive nickel sulphide deposits. In the year 2000, the Association of Mining and Exploration Companies awarded Tony the Prospector of the Year Award for the discovery of the Cosmos deposit.

Tony is responsible for the management of the Company's exploration activities, future project generation and implementation of strategies set by the Board.

**Michael John Fowler** BAppSc (Geol) Curtin University, MSc (Ore Deposit Geology) UWA, MAusIMM

#### Non-Executive Director

Michael has been involved in the mineral exploration industry in Western Australia for 15 years since graduating from Curtin University in 1988 with a Bachelor of Applied Science degree majoring in geology. On graduating he worked as an Exploration Geologist exploring for gold and base metals for Dominion Mining in the Murchison and Gascoyne Regions of Western Australia before working as a Project Geologist in the Eastern Goldfields of Western Australia.

Michael joined Croesus in 1996 exploring for gold at Croesus' Binduli Project and was made Exploration Manager in 1997. He completed a Master of Science majoring in Ore Deposit Geology in 1999. He has overseen all exploration for Croesus and was closely associated with the acquisition of the Davyhurst Project and the merger with Central Norseman.

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**John Walter Saleeba** BCom, LLB, CPA, FAICD

#### Non-Executive Director

John was formerly a partner in the law firm Clayton Utz and is a director of companies having interests in engineering and land development. John is a Fellow of the Australian Institute of Company Directors and currently holds non executive directorships with Alliance Finance Corporation Limited, Repcol Limited, and Skywest Limited.

**Dennis William Wilkins** BBus, ACIS, MAICD

#### Company Secretary

Dennis is an accountant who has been a director of, company secretary of, or acted in a corporate consulting capacity to, listed resource companies for over 18 years. He also spent five years working for a private merchant bank in the United Kingdom, together with resource postings to Indonesia, South Africa and New Zealand in managerial roles.

Dennis has been responsible for corporate treasury functions associated with resource companies which included the establishment, monitoring and restructuring of hedging programs and debt facility management.

Prior to his current activities, Dennis was the Finance Director and Company Secretary for a mid-tier ASX-listed gold producer with annual production of 70,000 ounces and turnover of \$20m - \$30m p.a. Dennis has been responsible for the management of bankable feasibility studies of resource projects and currently provides corporate advice to a select number of resource companies.

### DIRECTORS' INTERESTS

Details of the interests of the directors in the shares and options of the Company are disclosed in note 14.



## DIRECTORS' REPORT

### DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

#### Directors

The constitution of the Company provides that the non-executive directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting (currently \$200,000).

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Details of directors' and executive remuneration are disclosed in note 13 to the financial statements.

### DIRECTORS' MEETINGS

During the period from incorporation to 30 June 2004 the Company held twelve meetings of directors. The attendance of directors at the Board meetings were:

Director	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
C T Ansell	12	12	1	1		None held
A P Rovira	10	10	*	*		None held
M J Fowler	12	12	1	1		None held
J W Saleeba	11	11	1	1		None held
G W Smith (Appt. 19/9/03 Res. 6/10/03)	1	1	*	*		

A = Number of meetings attended.

B = Number of meetings held during the time the director held office during the year.

\* = Not a member of the relevant committee

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### PRINCIPAL ACTIVITIES

The principal activities of the Company during the period were the acquisition of interests in and exploration of mining tenements.

### RESULTS OF OPERATIONS

The operating loss after income tax of the Company for the period ended 30 June 2004 was \$1,512,244.

### DIVIDENDS

No dividend has been paid during the period ended 30 June 2004 and no dividend is recommended for the current period.

### ENVIRONMENTAL ISSUES

The entity is subject to significant environmental regulation in respect to its exploration activities.

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the period under review.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In October 2003, the Company raised \$50,000 seed capital, by way of an issue of 10,000,000 ordinary shares at 0.5 cents per share.

Also in October 2003, the Company entered into a five-year employment contract (subject to ASX listing) with Mr Rovira.

In October 2003, share options were issued to directors of the Company for nil consideration. The options have various commencement and expiry dates. The options issued were to:

Holder	Tranche A Options <sup>1</sup>	Tranche B Options <sup>2</sup>	Tranche C Options <sup>3</sup>	Total
C T Ansell	250,000	500,000	500,000	1,250,000
A P Rovira	1,000,000	2,000,000	2,000,000	5,000,000
M J Fowler	200,000	400,000	400,000	1,000,000
J W Saleeba	200,000	400,000	400,000	1,000,000
TOTAL	1,650,000	3,300,000	3,300,000	8,250,000

In addition, 650,000 options were issued to employees on the same terms and conditions as those described above.

Note:

1. Tranche A Options can only be exercised during the period commencing on 1 December 2003 and expire on 30 November 2008.
2. Tranche B Options can only be exercised during the period commencing on 1 December 2004 and expire on 30 November 2009.
3. Tranche C Options can only be exercised during the period commencing on 1 December 2005 and expire on 30 November 2010

In November 2003 the Company entered into an agreement with Croesus Mining NL under which the Company acquired certain mineral interests for the consideration of 15,000,000 shares at 25 cents each. Shortly thereafter the Company lodged a Prospectus and Supplementary Prospectus with ASIC to raise capital and seek admission to the Official List of the ASX. The capital raising was successfully completed during December 2003 and the Company shares were quoted on ASX on 16 December 2003 after raising a total of \$15,000,000.

In May 2004 the Company entered into an agreement with Montague Resources Pty Ltd to acquire the right to earn an 80% interest in the nickel rights in a group of tenements known as the Bounty Tenements in the Forestannia Greenestone Belt.

## SUBSEQUENT EVENTS

In July 2004 the Company exercised its First Right of Refusal to acquire the outstanding interest in the Splinter Gold exploration project. The consideration was the payment of \$59,500.

Also in July 2004, the Company entered into a joint venture to explore for and mine nickel and other metals on the Maggie Hays South project. The Company has acquired the right to earn 55% by sole funding exploration through to the completion of a bankable feasibility study within five years.

Apart from the above there has not been any other matter or circumstance, that has arisen since 30 June 2004, that has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

## REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

A detailed review of the Company activities during the financial year is set out in the section entitled "Operations Report" in this Annual Report.

## SHARE OPTIONS

As at the date of this report there are 8,900,000 unissued ordinary shares in respect of which options are outstanding. These options are exercisable at 25 cents and have various expiry dates.

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

### Share options issued during the period

Exercisable at 25 cents, on or before 30 November 2008	1,780,000
Exercisable at 25 cents, on or before 30 November 2009	3,560,000
Exercisable at 25 cents, on or before 30 November 2010	3,560,000
<u>Total options issued to 30 June 2004</u>	<u>8,900,000</u>

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

This report is made in accordance with a resolution of the directors.

**A P Rovira**  
**Managing Director**  
 West Perth, Western Australia  
 14 September 2004



**STATEMENT OF FINANCIAL PERFORMANCE**  
**For the Period from Incorporation on 19 September 2003 to 30 June 2004**

	Note	2004 \$
<b>Revenue from ordinary activities</b>		
Interest	2	424,300
<b>Expenses from ordinary activities</b>		
Consulting fees		(59,638)
Depreciation		(65,625)
Exploration expenditure		(1,222,959)
Insurance		(50,377)
Salaries and benefits		(183,181)
Travel and promotion		(59,612)
Other administration expense		(295,152)
<hr/>		
Loss from ordinary activities before income tax expense	3	(1,512,244)
Income tax expense relating to ordinary activities	3	-
<hr/>		
Net loss for the period		(1,512,244)
<hr/>		
Total changes in equity other than those resulting from transactions with owners as owners		(1,512,244)
<hr/>		
Basic loss per share (cents per share)	22	3.1

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Diluted loss per share is not disclosed as this would reduce the loss per share

The above statement of financial performance should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2004**

	Note	2004 \$
<b>Current Assets</b>		
Cash assets	5	12,070,545
Receivables	6	88,249
<b>Total Current Assets</b>		<b>12,158,794</b>
<b>Non-Current Assets</b>		
Fixed assets	8	293,661
Mining tenements and capitalised exploration costs	7	4,270,905
<b>Total Non-Current Assets</b>		<b>4,564,566</b>
<b>TOTAL ASSETS</b>		<b>16,723,360</b>
<b>Current Liabilities</b>		
Payables	9	267,532
Provisions	10	15,740
<b>Total Current Liabilities</b>		<b>283,272</b>
<b>TOTAL LIABILITIES</b>		<b>283,272</b>
<b>NET ASSETS</b>		<b>16,440,088</b>
<b>Equity</b>		
Contributed equity	11	17,952,332
Accumulated losses	12	(1,512,244)
<b>TOTAL EQUITY</b>		<b>16,440,088</b>

The above statement of financial position should be read in conjunction with the accompanying notes.



**STATEMENT OF CASH FLOWS**  
**For the Period from Incorporation on 19 September 2003 to 30 June 2004**

	Note	2004 \$
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers, contractors and employees		(1,686,770)
Interest received		424,300
Other		(3173)
Net cash flows (used in) operating activities	13	(1,265,643)
<b>Cash Flows from Investing Activities</b>		
Payments for tenement acquisition		(506,858)
Payments for Plant and Equipment		(359,286)
Net cash flows (used in) investing activities		(866,144)
<b>Cash Flows from Financing Activities</b>		
Proceeds from share issues		15,050,001
Share issue costs		(847,669)
Net cash flows from financing activities		14,202,332
<b>Net increase in cash held</b>		<b>12,070,545</b>
Cash at the beginning of the financial period		-
Cash at the End of the Financial Period	5	12,070,545

The above statement of cash flows should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

### For the Period Ended 30 June 2004

#### 1. Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity, Nickel Australia Limited which is a public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

##### a) Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

##### Depreciation

Depreciation is provided on plant and equipment. Depreciation is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 20% and 40% per annum.

##### b) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

##### c) Exploration, evaluation and development expenditure

Exploration, evaluation and development costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production

##### d) Interests in Joint Ventures

The Company's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the statements of financial performance and financial position. Details of the Company's interests, if any, are shown in note 25.

The company's interests in joint venture entities, if any, are brought to account at cost using the equity method of accounting in the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### For the Period Ended 30 June 2004

#### 1. Significant Accounting Policies (continued)

##### e) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt.

Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

##### f) Accounts Payable

Accounts payable represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest.

##### g) Recoverable Amount of Non Current Assets

The carrying amount of non-current assets are reviewed annually by directors to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

##### h) Employee Entitlements

###### (i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, annual leave and sick leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

###### (ii) Long Service Leave

A liability for long service leave is not recognised as the Company has just commenced operations, and the present value of expected future payments to be made in respect of services provided by employees up to the reporting date is immaterial.

##### i) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amounts of goods and services tax.

##### j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amounts of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the acquisition of the asset or as part of any item of the expense.

Receivables and payables are included as a current asset or liability in the Statement of Financial Position.

		2004
		\$
<b>2. Revenue</b>		
Interest received	424,300	
<b>Total revenue</b>	<b>424,300</b>	
<b>3. Loss from Ordinary Activities</b>		
Loss from ordinary activities before income tax has been determined after charging the following items:		
Consulting fees	59,638	
Directors' fees	67,500	
Exploration expenditure written off	1,222,959	
Insurance	50,377	
Salaries and benefits	183,181	
<b>4. Income Tax</b>		
Prima facie tax on operating loss before income tax at 30%	(453,673)	
Tax effect of permanent differences	(5,706)	
Future income tax benefit not brought to account	447,967	
<b>Income tax attributable to operating loss</b>	<b>Nil</b>	
No income tax is payable by the Company. The directors have considered it prudent not to bring to account the future income tax benefit of income tax losses and exploration deductions until there is virtual certainty of deriving assessable income of a nature and amount to enable such benefit to be realised.		
The benefit of these losses and timing differences will only be obtained if:		
(a)	the Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss to be realised;	
(b)	the Company continues to comply with the condition of deductibility imposed by law; and	
(c)	no changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the loss.	
		2004
		\$
<b>5. Cash Assets</b>		
Cash at bank	12,070,361	
Petty cash	184	
<b>Total cash assets</b>	<b>12,070,545</b>	
<b>6. Receivables</b>		
GST refundable	85,076	
Other debtors	3,173	
<b>Total receivables</b>	<b>88,249</b>	
<b>7. Other (Non-Current)</b>		
Tenements acquisition costs	4,270,905	



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Period Ended 30 June 2004**

	2004 \$
<b>8. Plant and Equipment</b>	
At cost	359,286
Accumulated depreciation	(65,625)
	293,661
<b>Reconciliation</b>	
Reconciliation of the carrying amount for plant and equipment is set out below:	
Carrying amount at beginning of period	-
Additions	359,286
Depreciation	(65,625)
Carrying amount at end of period	293,661
<b>9. Payables</b>	
Trade creditors and accruals	267,532
<b>10. Provisions</b>	
Employee entitlements	15,740
<b>11. Contributed Equity</b>	
ORDINARY SHARES	
4 shares on incorporation	1
10,000,000 shares for cash	50,000
15,000,000 shares to acquire interests in mineral rights and tenements	3,750,000
60,000,000 shares at 25 cents each	15,000,000
85,000,004 shares at balance date	18,800,001
Share raising costs	(847,669)
	17,952,332
	2004 Number
SHARE OPTIONS	
Share options issued during the period	
Exercisable at 25 cents, on or before 30 November 2008	1,780,000
Exercisable at 25 cents, on or before 30 November 2009	3,560,000
Exercisable at 25 cents, on or before 30 November 2010	3,560,000
Total options issued to 30 June 2004	8,900,000
No options have been exercised to the date of this report.	
	2004 \$
<b>12. Accumulated Losses</b>	
Balance at the beginning of the period	-
Loss for the period	1,512,244
Accumulated losses at end of period	1,512,244

2004  
\$

### 13. Notes to the Cash Flow Statement

#### RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

Loss after tax	(1,512,244)
NON CASH FLOWS IN LOSS AFTER TAX	
Depreciation	65,625
CHANGES IN NET ASSETS AND LIABILITIES	
(Increase) in other debtors	(3,173)
(Increase) in GST receivable	(85,076)
Increase in payables	253,485
Increase in provisions	15,740
Net cash (outflow) from operating activities	(1,265,643)

### 14. Remuneration, Retirement Benefits and Security Interests of Directors and Specified Executives

#### a) The directors of the Company during the financial period were:

Campbell Theodore Ansell (appointed – 29/09/03)

Anthony Paul Rovira (appointed – 06/10/03)

Michael John Fowler (appointed – 29/09/03)

John Walter Saleeba (appointed – 06/10/03)

Graeme Smith (appointed 29/09/03) (resigned 06/10/03)

#### b) Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

#### Non Executive Directors

The constitution of the company provides that the non-executive directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting (currently \$200,000). The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

#### Directors Fees

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs service outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Currently, Campbell Theodore Ansell, Michael John Fowler and John Walter Saleeba are remunerated by way of directors' fees.

#### Service Agreements

Remuneration and other terms of employment for the Managing Director, Company Secretary and the specified executives are formalised in service agreements.



## NOTES TO THE FINANCIAL STATEMENTS

### For the Period Ended 30 June 2004

#### 14. Remuneration, Retirement Benefits and Security Interests of Directors and Specified Executives (continued)

The agreements relating to remuneration are set out below:

##### Anthony Rovira, Managing Director

- Term of agreement – 5 years commencing 16 December 2003.
- Base salary, exclusive of superannuation, of \$170,000 to be reviewed annually by the remuneration committee.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination.

##### Dennis Wilkins, Company Secretary/Chief Financial Officer

- Term of agreement – 1 year commencing 1 January 2004
- Fixed fee, for the year ending 31 December 2004 of \$72,000.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination.

##### Patrick Manouge, Exploration Manager

- Term of agreement – three months notice required by either party
- Base salary, exclusive of superannuation, of \$110,000 to be reviewed annually by the remuneration committee.
- The agreement can be terminated by giving three months notice.

##### Retirement Benefits

Other retirement benefits may be provide directly by the company if approved by shareholders.

#### c) Directors and Executives Remuneration

2004	Primary		Cash Bonus	Non-Cash Benefits	Post Employment Super-annuation	Equity Options	Other	Total
	Salary, Fees & Commissions	Super-annuation Contribution						
<b>DIRECTORS</b>								
Campbell T Ansell	30,000	2,700	-	-	-	-	-	32,700
Anthony Paul Rovira	92,085	8,288	-	-	-	-	-	100,373
Michael John Fowler	18,750	1,687	-	-	-	-	-	20,437
John Saleeba	18,750	1,687	-	-	-	-	-	20,437
<b>TOTAL</b>	<b>159,585</b>	<b>14,362</b>						<b>173,947</b>
<b>SPECIFIED EXECUTIVES</b>								
Dennis Wilkins	86,000	-	-	-	-	-	-	86,000
Patrick Manouge	55,001	4,950	-	-	-	-	-	59,951
<b>TOTAL</b>	<b>141,001</b>	<b>4,950</b>						<b>145,951</b>

##### Director's Holdings

Aggregate number of shares and share options of Nickel Australia Limited held directly, indirectly or beneficially by directors or their director related entities at balance date:

#### d) Directors Interests in Shares and Options

	Balance 19 Sept 03	Net Change	Balance 30 June 04
<b>SPECIFIED DIRECTORS</b>			
CT Ansell	-	308,000	308,000
AP Rovira	-	1,200,000	1,200,000
MJ Fowler	-	1,008,000	1,008,000
JW Saleeba	-	270,000	270,000
<b>TOTAL</b>	<b>-</b>	<b>2,786,000</b>	<b>2,786,000</b>
<b>SPECIFIED EXECUTIVES</b>			
D Wilkins	-	-	-
P Manouge	-	-	-

e) Number of Options Held by Specified Directors and Specified Executives

	Balance as at 19/09/03	Granted as Remun- eration	Options Exercised*	Balance 30 Jun 04	Vested at 30/06/04	30 June 2004	
						Exercisable	Unexercisable
<b>SPECIFIED DIRECTORS</b>							
CT Ansell	-	1,250,000	-	1,250,000	1,250,000	250,000	1,000,000
AP Rovira	-	5,000,000	-	5,000,000	5,000,000	1,000,000	4,000,000
MJ Fowler	-	1,000,000	-	1,000,000	1,000,000	200,000	800,000
JW Saleeba	-	1,000,000	-	1,000,000	1,000,000	200,000	800,000
<b>SPECIFIED EXECUTIVES</b>							
DW Wilkins	-	-	-	-	-	-	-
P Manouge	-	500,000	-	500,000	500,000	100,000	400,000
<b>TOTAL</b>	-	<b>8,750,000</b>	-	<b>8,750,000</b>	<b>8,750,000</b>	<b>1,750,000</b>	<b>7,000,000</b>

f) Remuneration Options

	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date	Terms & conditions for each Grant		
					Exercise Price \$	First Exercise Date	Last Exercise Date
<b>SPECIFIED DIRECTORS</b>							
CT Ansell	1,250,000	1,250,000	20/10/03	Nil	0.25	1/12/03	1/12/10
AP Rovira	5,000,000	5,000,000	20/10/03	Nil	0.25	1/12/03	1/12/10
MJ Fowler	1,000,000	1,000,000	20/10/03	Nil	0.25	1/12/03	1/12/10
JW Saleeba	1,000,000	1,000,000	20/10/03	Nil	0.25	1/12/03	1/12/10
<b>SPECIFIED EXECUTIVES</b>							
DW Wilkins	-	-	-	-	-	-	-
P Manouge	500,000	500,000	14/02/04	Nil	0.25	1/12/03	1/12/10
<b>TOTAL</b>	<b>8,750,000</b>	<b>8,750,000</b>					

\* The Company used the Black Scholes option pricing formulae to value the options granted to directors. The options were granted prior to the raising of initial funds and therefore used an assumed market value of the underlying security of \$0.005 with a volatility of 100% reflecting the uncertainty of obtaining seed capital and ultimately listing on the ASX.

2004  
\$

15. Auditors' Remuneration

Amounts received or due and receivable by the auditors for:	-
Audit	13,515
Other services	-
	<b>13,515</b>



## NOTES TO THE FINANCIAL STATEMENTS

### For the Period Ended 30 June 2004

2004  
\$

#### 16. Commitments

There were no outstanding commitments, which are not disclosed in the financial statements of the Company as at 30 June 2004 other than:

##### (a) Rental commitments

Rental liabilities

No later than 1 year	44,453
Later than 1 year but not later than 5 years	59,000
	103,453

##### (b) Employment contract commitments

The Company has entered into a service agreement with Mr Rovira and a consultancy contract with Mr Dennis Wilkins. Outstanding commitments under the service agreements are as follows:

Due within 1 year	221,300
Due 1 to 5 years	640,829
	862,129

##### (c) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

Due within 1 year	1,927,041
Due 1 to 5 years	5,862,080
	7,789,121

These obligations are capable of being varied from time to time.

#### 17. Related Party disclosures

The following related party transactions occurred during the financial year:

- (i) Refer note 14 for details on remuneration and shares and options issued to directors from date of incorporation.

#### 18. Financial Instruments

	Notes	Floating Interest Rate	1 year or less	Over 1-5 years	Non interest bearing	Total
		\$	\$	\$	\$	\$
2004						
Financial Assets						
Cash	5	12,070,545				12,070,545
Receivables	6				88,249	88,249
Total Financial Assets		12,070,545			88,249	12,158,794
Payables						
	9				(267,532)	(267,532)
Total Financial Liabilities					(267,532)	(267,532)
Net Financial Assets/(Liabilities)		12,070,545			(179,283)	11,891,262

	2004 \$
Reconciliation of net financial assets to net assets	
Net Financial Assets	11,891,262
Mineral Tenements and Capitalised Exploration	4,270,905
Fixed Assets	293,661
Employee Entitlements	(15,740)
<b>Net Assets</b>	<b>16,440,088</b>

#### Interest Rate Risks

The Company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The effective interest rate on cash during the period was approximately 5.4%.

#### Credit Risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the statement of financial position and notes to the financial statements.

#### Net Fair Value

The net fair value of all assets approximates their carrying value.

### 19. Segment Information

The Company's operations are in the mining industry in Australia.

### 20. Contingent Liabilities

There are no material contingent liabilities of the Company at balance date.

### 21. Events Occurring After Balance Date

In July 2004 the Company exercised its First Right of Refusal to acquire the outstanding interest in the Splinter Gold exploration project. The consideration was the payment of \$59,500.

Also in July 2004, the Company entered into a joint venture to explore for and mine nickel and other metals on the Maggie Hays South project. The Company has acquired the right to earn 55% by sole funding exploration through to the completion of a bankable feasibility study within five years.

Apart from the above there has not been any other matter or circumstance, that has arisen since 30 June 2004, that has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

### 22. Earnings Per Share (EPS)

Weighted average number of ordinary shares outstanding during the period used in calculation of EPS was 48,671,236.

### 23. Comparative Figures

There are no comparative figures as the Company was incorporated on 19 September 2003.

### 24. The Impact of Adopting International Accounting Standards

The Australian Accounting Standards Board is adopting the Standards of the International Accounting Standards Board for application to reporting periods beginning on or after 1 January 2005. Pending Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' prescribes transitional provision for first-time adopters.

AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires financial reports to disclose information about the impacts of any changes in accounting policies in the transition period leading up to the adoption date and will apply for June 2004 reporting.



## NOTES TO THE FINANCIAL STATEMENTS

### For the Period Ended 30 June 2004

#### 24. The Impact of Adopting International Accounting Standards (continued)

##### Exploration and evaluation expenditure

In terms of the exposure drafts issued by the International Accounting Standards Board (IASB) and the Australian Accounting Standards Board (AASB) on exploration and evaluation expenditure, entities are permitted to continue their previous accounting policies but all exploration and evaluation expenditure would be subject to an annual impairment test. Under the impairment test acquisition, exploration and evaluation expenditure would be carried at recoverable value which will be determined at the higher of fair value less costs to sell, and value in use.

##### Taxation

Under the Australian equivalent to IAS 12 "Income Taxes", a balance sheet approach will be adopted for calculating taxation, replacing the "statement of financial performance approach". This method recognizes deferred tax balances for all temporary differences arising between the carrying value of an asset or liability and its tax base. Whilst there will be enhanced disclosure of the composition of the deferred tax assets and liabilities it is not expected that there will be any significant impact in terms of the statement of financial position or performance.

##### Share based payments

The group currently does not recognize an expense for options issued to directors and staff. Under AASB 2 "Share Based Payments", the company will be required to recognize an expense for all share based remuneration, including options, and will amortise those expenses over the relevant vesting periods.

##### Impairment of Assets

Under the Australian equivalent to IAS 36 "Impairment of Assets" the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in the company's current accounting policy which determines recoverable amount of an asset on the basis of discounted (undiscounted) cashflows. Under the new policy it is possible that the impairment of assets will be recognized sooner and the amount of write downs will be greater.

#### 25. Joint Venture

The Company has interests in the following joint ventures:

Joint Venture	Activities	Interest	Carrying Value
			\$
Bounty	Nickel/Base Metals	Earning 80%	314,385
Maggie Hays	Nickel/Base Metals	Earning 55%	NIL

The Company has a contingent liability in respect of the Bounty Joint Venture whereupon it must pay \$300,000 to its joint venture partner upon grant of Mining Lease 77/1066 by Department of Industry and Resources free of all encumbrances.

## **DIRECTORS' DECLARATION**

### **for the Period Ended 30 June 2004**

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 22 to 34;
  - (a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
  - (b) give a true and fair view of the financial position as at 30 June 2004 and performance for the period ended on that date as represented by the results of its operations and its cash flows of the Company;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. In the opinion of the directors, the financial statements and notes are in accordance with the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of directors.

A P Rovira

Managing Director

Dated at West Perth this 14 day of September 2004



## INDEPENDENT AUDIT REPORT



STANTON PARTNERS

ABN 89 063 036 331  
1 Havelock Street  
West Perth 6005  
Western Australia  
**Telephone: (08) 9481 3188**  
**Facsimile: (08) 9321 1204**  
e-mail: australia@stanton.com.au

### SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash-flows, accompanying notes to the financial statements, and the director's declaration for Nickel Australia Limited (the Company) for the period 19 September 2003 to 30 June 2004.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

### INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### AUDIT OPINION

In our opinion, the financial report of Nickel Australia Limited is in accordance with:

- a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2004 and of its performance for the period ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

STANTON PARTNERS

J P Van Dieren  
Partner

Perth, Western Australia  
14 September 2004

## ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information is made as at 19th August 2004.

### Number of share and option holders

85,000,004 fully paid ordinary shares are held by 2,260 shareholders.

8,900,000 options exercisable at 25 cents and expiring 30 November 2008 to 30 November 2010 are held by 7 option holders.

### Distribution of share and option holders

	Fully paid	Options Various expiry dates
1-5,000	159	
5,001-10,000	1,385	
10,001-100,000	643	2
100,001 & over	73	5
TOTAL	2,260	7

### Holders of non-marketable parcels

There are 50 shareholders who hold less than a marketable parcel of 2,941 fully paid ordinary shares.

### Voting rights

On a show of hands each member is entitled to one vote and on a poll one vote for every fully paid share held.

### Substantial shareholders

The following shareholders are recorded in the register of substantial shareholders:

Croesus Mining NL

Yandal Investments Limited

### Stock exchange listing

The Company's fully paid shares are quoted by the Australian Stock Exchange Limited.

In accordance with ASX Listing Rule 4.10 the Company confirms it has applied its funds in a manner consistent with its business plan.

### Restricted securities

The Company has 24,800,000 shares and 8,250,000 share options on issue that are classified as "Restricted Securities".

- 15,980,000 shares restricted to 15 December 2005
- 8,820,000 shares restricted to 19 October 2004
- 8,250,000 options restricted to 15 December 2005



## ADDITIONAL STOCK EXCHANGE INFORMATION

### On-market buy-back

Currently there is no on-market buy-back of the Company's securities.

### Twenty largest shareholders

	Number	Percentage
Croesus Mining NL	15,500,000	18.24%
Yandal Investments Pty Ltd	5,245,000	6.17%
Citicorp Nominees Pty Ltd	3,147,479	3.70%
ANZ Nominees Limited	2,335,803	2.75%
Delaney Mr Sean	1,080,000	1.27%
Mannwest Group Pty Ltd	1,040,000	1.22%
Fowler Michael	1,008,000	1.19%
Hillyard Simon	1,000,000	1.18%
Holmes Michael	1,000,000	1.18%
Mardon Christopher	1,000,000	1.18%
Wiechecki Henri	1,000,000	1.18%
Rovira Geoservices Pty Ltd	1,000,000	1.18%
Fulton James	1,000,000	1.18%
Citicorp Nominees Pty Ltd	972,844	1.14%
Smith Graeme	570,000	.67%
Hoppman Smith Super	500,000	.59%
Jones Lloyd	500,000	.59%
Garbutt Natalie	500,000	.59%
James Richard Eric	500,000	.59%
White Group International	500,000	.59%

### Optionholders

	Number	Percentage
A P Rovira	5,000,000	56.2%
C T Ansell	1,250,000	14.0%
M Fowler	1,000,000	11.2%
J W Saleeba	1,000,000	11.2%
P Manouge	500,000	5.6%
K Lyons	100,000	1.1%
N Davies	50,000	0.6%

## TENEMENT LISTING

Project	Interest	Tenement
<b>NORSEMAN</b>		
Buldania	Earning 100% Ni Right	M63/180
	Earning 100% Ni Right	M63/182
Chinamans Well	Earning 100% Ni Right	M63/46
	Earning 100% Ni Right	M63/49
East Town	Earning 100% Ni Right	M63/120
	Earning 100% Ni Right	M63/122
	Earning 100% Ni Right	M63/133
	Earning 100% Ni Right	M63/178
	Earning 100% Ni Right	M63/259
	Earning 100% Ni Right	M63/42
Jimberlana	Earning 100% Ni Right	E63/336
	Earning 100% Ni Right	M63/190
	Earning 100% Ni Right	M63/207
	Earning 100% Ni Right	E63/830(P)
	Earning 100% Ni Right	M63/324(P)
	Earning 100% Ni Right	M63/353(P)
	Earning 100% Ni Right	M63/384(P)
	Earning 100% Ni Right	M63/382(P)
	Earning 100% Ni Right	M63/383(P)
Killaloe	Earning 100% Ni Right	M63/116
	Earning 100% Ni Right	M63/61
	Earning 100% Ni Right	M63/63
Main Dyke	Earning 100% Ni Right	M63/114
	Earning 100% Ni Right	M63/141
	Earning 100% Ni Right	M63/142
	Earning 100% Ni Right	M63/174
	Earning 100% Ni Right	M63/220
	Earning 100% Ni Right	M63/258
Mt Thirsty	Earning 100% Ni Right	E63/345
	Earning 100% Ni Right	M63/274
	Earning 100% Ni Right	M63/542(P)
Petersen Gossan	Earning 100% Ni Right	E63/317
	Earning 100% Ni Right	M63/127
	Earning 100% Ni Right	M63/128
	Earning 100% Ni Right	M63/88
	Earning 100% Ni Right	M63/287(P)
	Earning 100% Ni Right	M63/288(P)
	Earning 100% Ni Right	M63/289(P)
	Earning 100% Ni Right	M63/314(P)
	Earning 100% Ni Right	M63/342(P)
	Earning 100% Ni Right	M63/343(P)
	Earning 100% Ni Right	M63/344(P)
	Earning 100% Ni Right	M63/345(P)
	Polar Bear	Earning 100% Ni Right
Earning 100% Ni Right		M63/285(P)
Earning 100% Ni Right		M63/313(P)
Earning 100% Ni Right		M63/377(P)
Earning 100% Ni Right		M63/64
Earning 100% Ni Right		M63/65
Earning 100% Ni Right		M63/66
Earning 100% Ni Right	M63/67	



## TENEMENT LISTING

Project	Interest	Tenement
Talbot Island	Earning 100% Ni Right	M63/184
	Earning 100% Ni Right	M63/214
	Earning 100% Ni Right	M63/218
	Earning 100% Ni Right	M63/219
	Earning 100% Ni Right	M63/26
	Earning 100% Ni Right	M63/265
	Earning 100% Ni Right	M63/44
	Earning 100% Ni Right	M63/48
	Earning 100% Ni Right	M63/50
	Earning 100% Ni Right	M63/52
	Earning 100% Ni Right	M63/53
	Earning 100% Ni Right	M63/54
	Earning 100% Ni Right	M63/60
	Earning 100% Ni Right	P63/1193(P)
	Earning 100% Ni Right	P63/1194(P)
	Earning 100% Ni Right	P63/1196(P)
	Earning 100% Ni Right	P63/1197(P)
	Earning 100% Ni Right	P63/1198(P)
	Earning 100% Ni Right	P63/1199(P)
	Earning 100% Ni Right	M63/51
Earning 100% Ni Right	M63/134	
DAVYHURST	Earning 100% Ni Right	E30/80
	Earning 100% Ni Right	E30/61
	Earning 100% Ni Right	P30/928
	Earning 100% Ni Right	E30/160(P)
	Earning 100% Ni Right	E30/162(P)
	Earning 100% Ni Right	E30/261
	Earning 100% Ni Right	M30/122(P)
	Earning 100% Ni Right	M30/123(P)
	Earning 100% Ni Right	M30/160(P)
	Earning 100% Ni Right	M30/161
	Earning 100% Ni Right	M30/175(P)
	BEETE	Earning 100% Ni Right
Earning 100% Ni Right		E63/827
SPLINTER	100%	E63/868(P)
	100%	E63/869(P)
	100%	E63/870(P)
	100%	E63/853
BOUNTY JV	Earning 70% Ni Right	M77/1065(P)
	Earning 70% Ni Right	M77/1066(P)
	Earning 70% Ni Right	M77/1067(P)
	Earning 70% Ni Right	M77/1068(P)
	Earning 70% Ni Right	M77/1080(P)
	Earning 70% Ni Right	G77/110(P)
	Earning 70% Ni Right	G77/109(P)
	Earning 70% Ni Right	L77/194(P)
Earning 70% Ni Right	L77/193(P)	
MAGGIE HAYS SOUTH JV	Earning 55% Ni Right	P63/1203(P)
	Earning 55% Ni Right	P63/1204(P)
	Earning 55% Ni Right	P63/1205(P)
	Earning 55% Ni Right	P63/1206(P)
	Earning 55% Ni Right	P63/1207(P)
	Earning 55% Ni Right	P63/1208(P)
	Earning 55% Ni Right	P63/1209(P)



Nickel Australia Limited



## Nickel Australia Limited

Nickel Australia Limited  
Level 1  
30 Richardson Street  
WEST PERTH WA 6005

Telephone: (08) 9481 2555  
Facsimile: (08) 9485 1290

Website: [www.nickelaustralia.com.au](http://www.nickelaustralia.com.au)  
Email: [admin@nickelaustralia.com.au](mailto:admin@nickelaustralia.com.au)