



Nickel Australia Limited

20 January 2005

The Manager
Companies Announcement Office
Australian Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

Dear Sir

RE:

We enclose herewith a copy of an announcement in relation to the above.

Yours faithfully,

Tony Rovira
Managing Director

Encl.



Nickel Australia Limited

QUARTERLY REPORT

For The Period Ended December 31, 2004

HIGHLIGHTS

- Positive nickel exploration results from **Maggie Hays South**, including:
 - **43m @ 0.56% Ni** and **11m @ 1.45% Ni** (including **6m @ 2.07% Ni**).
- Highly anomalous geochemical and geophysical results achieved at the **Splinter Project**.
- Mining Leases granted for the **Bounty Project** with exploration to commence immediately.
- Cash reserves of approximately **\$10.1 million** at the end of December.

EXPLORATION

Maggie Hays South (NKL earning 55% of the Nickel Rights from Hannans Reward NL)

The Maggie Hays South Project is a Joint Venture between Nickel Australia Limited (ASX:NKL) and Hannans Reward NL. The project comprises seven Prospecting Licenses covering 12km² of the Lake Johnston Greenstone Belt in Western Australia, and is located about 25km south of the Maggie Hays and Emily Ann nickel mines operated by LionOre Australia Pty Ltd.

Nickel Australia completed its first exploration program at Maggie Hays South during the December Quarter. This comprised reconnaissance aircore drilling and a surface electromagnetic (TEM) survey.

The aircore drilling was used to define locations and boundaries of the ultramafic rocks which are prospective for nickel sulphide mineralisation, and to test for anomalous geochemistry. Anomalous grades of nickel and other pathfinder elements were intersected in numerous holes from within weathered ultramafics. The results are considered encouraging and warrant early follow-up work. Details of significant drill intercepts are tabled below.

Significant Drill Intercepts – Maggie Hays South

Hole No	North	East	Dip	Azimuth	From (m)	To (m)	Width (m)	Grade (%Ni)
NMA 009	59000	11150	-60	090	2	45	43	0.56
NMA 011	59000	11050	-60	090	15	27	12	0.54
NMA 013	59000	10950	-60	090	35	46	11	1.45
including					35	41	6	2.07
which includes					35	39	4	2.38
NMA 014	59000	10900	-60	090	10	24	14	0.58
NMA 015	59000	10850	-60	090	7	23	16	0.52
NMA 026	58600	10850	-60	090	3	22	19	0.58
NMA 030	58200	11200	-60	090	18	34	16	0.57
NMA 031	58200	11150	-60	090	12	44	32	0.58

Note – coordinates are in Local Grid

Lower Grade Cut-off = 0.5% Nickel

The TEM survey was designed to identify electromagnetic conductors which could represent deeply buried bodies of massive nickel sulphides. Exploration by previous companies included TEM surveys which detected four conductors. However, the more modern techniques now available provide deeper coverage and better discrimination of conductive effects.

The survey carried out by Nickel Australia provided detailed discrimination of two strong conductors located in favourable geological positions adjacent to the basal ultramafic contact.

To date no diamond drilling has been carried out on the Maggie Hays South property and the geochemical and geophysical anomalies identified by Nickel Australia remain untested. A diamond drilling program, consisting of six holes designed to test these areas, is scheduled to commence in February. Downhole electromagnetic (DHEM) surveys will be carried out in each diamond hole and a detailed, low-level aeromagnetic survey will be undertaken.

Splinter (NKL 100%)

The 100% owned Splinter project represents a significant exploration target for Nickel Australia. It is located in the Albany-Fraser Province, about 120km northeast of Esperance, and contains 840km² of ground considered prospective for shear-hosted gold deposits, iron oxide copper-gold deposits (Olympic Dam and Prominent Hill style), and intrusive hosted nickel sulphide deposits (Voisey's Bay style).

The first phase of exploration at Splinter has now been completed. This program included surface geochemical sampling, aerial photography, a ground gravity survey, and an airborne magnetic survey.

The geochemical sampling identified a strong, well-defined and coherent gold anomaly, in an arcuate shape extending approximately 3km in length and 1km in width. This partially coincides with a similar sized zone of copper anomalism. Other zones of gold anomalism are also present, however these adjoin the edge of the sampled area and have not yet been fully delineated.

Situated immediately to the south of the main gold anomaly, and underlying the copper anomaly, is a pronounced gravity high. This is considered to be an indication that the region has potential to contain iron oxide copper-gold mineralisation similar in style to the Olympic Dam and Prominent Hill deposits.

Further infill and extensional geochemical sampling is scheduled to be carried out in the March-April period. Following evaluation of the results, the company will implement an aircore drilling program and will review the option of deeper testing of targets with Reverse Circulation (RC) drilling and/or diamond drilling.

Bounty (NKL earning 80% of the Nickel Rights)

The Bounty Project tenements were granted by the Department of Industry and Resources during December. These comprise five Mining Leases, two General Purpose Leases for tailings disposal, and two Miscellaneous Licences.

The tenements are situated within the northern part of the Forrestania Greenstone Belt adjacent to the Forrestania nickel projects held by Western Areas NL and LionOre Australia Pty Ltd. The Bounty project area covers 42km² and contains more than 24 strike kilometres of ultramafics known to host nickel sulphide mineralisation. It includes the northern extensions of the ultramafic

rocks which host the Cosmic Boy and Digger Rocks nickel sulphide deposits previously mined by Outokumpu and currently the subject of a feasibility study by Western Areas.

Significant diamond drill intercepts of nickel sulphide mineralisation made by previous explorers include the following:

- **0.45 metres @ 4.50% nickel in MD 106;**
- **13.25 metres @ 1.23% nickel in MD 69;**
- **7.4 metres @ 1.05% nickel in MD 99; and**
- **3.5 metres @ 1.19% nickel in BUG 29.**

These intercepts confirm that the ultramafic rocks within the project area contain nickel sulphide mineralisation, including the presence of high grade massive sulphides. In addition, electromagnetic surveys carried out in the mid-1990's identified several strong conductor anomalies which may indicate the presence of massive nickel sulphide bodies. To date these remain untested.

Nickel Australia has immediately commenced intensive exploration at Bounty, comprising a detailed aeromagnetic survey (completed), a TEM survey (in progress), diamond drilling (scheduled to start in mid-February), and DHEM surveys. An exploration budget of \$500,000 has been allocated to the Bounty Project for 2005.

Killaloe (NKL earning 70% of the Nickel Rights from Cullen Resources Ltd)

In October, Nickel Australia entered into a joint venture with Cullen Resources Ltd on the Killaloe Project in the Norseman district of Western Australia. Acquisition of this project forms a suitable and complementary addition to Nickel Australia's Norseman project portfolio.

The Killaloe project comprises two granted Exploration Licences and six granted Prospecting Licences. It is situated 25km northeast of Norseman township adjoining the eastern boundary of Nickel Australia's Norseman property. Killaloe covers about 150km² containing 27 strike kilometres of the southern extensions of the Kambalda ultramafic sequence. These ultramafics have been described as the Eastern Ultramafic Belt (EUB) and the Western Ultramafic Belt (WUB).

Previous exploration confirmed the presence of highly anomalous nickel and pathfinder element mineralisation within gossans developed over the ultramafics. Some of these anomalies were drill tested producing narrow (1-3m) intersections of low grade (0.5-1.0%) nickel sulphide mineralisation, confirming the prospectivity of this district. However, numerous strongly anomalous gossans and TEM conductors remain totally untested.

In 2003, Cullen commissioned the geological consulting firm Newexco Pty Ltd, to conduct a review of the nickel and base metal potential of the Killaloe project, and to assist with the development of a nickel exploration strategy. Newexco's field of expertise is primarily nickel sulphide exploration, having worked for clients such as Western Areas, LionOre, MPI, Outokumpu and Sally Malay. Amongst other successes, they have recently been responsible for the discovery of the Flying Fox and Daybreak nickel sulphide deposits at Forrestania for Western Areas.

As a result of their technical review, Newexco concluded that: ***"With so many untested targets remaining throughout the EUB komatiite sequence, the nickel sulphide potential of the EUB is considered to be very high, whilst as a result of the nickel sulphides already intersected in the WUB and the identification of a structurally repeated, untested cumulate horizon, the nickel sulphide potential of the WUB is also considered high."***

Nickel Australia will commence intensive exploration following completion of formal documentation. Work planned includes surface and downhole electromagnetic surveys, geological mapping and geochemical surveys, and aircore, RC and diamond drilling.

There is significant potential to better define the known TEM conductors as well as undertaking further TEM surveys over areas not yet explored. In addition, numerous gossans located in favourable geological locations have yet to be drill tested. These will undergo aircore drilling to confirm the orientation and definition of the target zones prior to deep drill testing by RC and diamond drilling.

The presence of strong geochemical and geophysical anomalies located near basal stratigraphic contacts indicates the Killaloe Project is very prospective for hosting significant nickel sulphide mineralisation, and Nickel Australia is well positioned to significantly advance this project.

Norseman (NKL earning 100% of the Nickel Rights from Croesus Mining NL)

Nickel Australia continued its intensive exploration program on the Norseman Project during the quarter, with the following work completed.

<i>Polar Bear</i>	Diamond drilling - 1 hole for 268m Aircore drilling – 55 holes for 1,743m Surface and downhole electromagnetic surveys
<i>Pioneer</i>	Diamond drilling - 1 hole for 304m Downhole electromagnetic survey
<i>Woodcutters</i>	Diamond drilling - 2 holes for 478m Downhole electromagnetic surveys
<i>Talbot</i>	Surface electromagnetic survey
<i>Jimberlana</i>	Surface electromagnetic survey

At Talbot, the TEM survey identified a strong and discrete electromagnetic conductor, hosted in bedrock and situated on the basal contact of the ultramafic unit. This ultramafic contains widespread disseminated nickel sulphide mineralisation, and is considered to have good potential to host high grade massive nickel sulphides. This high quality target will be tested with diamond drilling during January.

The four hole diamond drilling program completed last quarter was designed to follow-up geochemical and geophysical targets generated by the aircore drilling and TEM surveys.

At Woodcutters, two holes were drilled to test very strong and coherent TEM conductors located at the base of an ultramafic unit. Unfortunately both holes intersected a thin sulphide-rich shale unit at the expected depth which explained the EM conductor. However the subsequent DHEM surveys identified a third conductor and this will be drill tested upon completion of data interpretation.

One diamond hole was drilled at each of Polar Bear and Pioneer to test coincident TEM and geochemical anomalies. No significant nickel mineralisation was intersected at either target and no geologically significant electromagnetic anomalies were detected from the DHEM surveys. As a result no further work is planned at Pioneer. However, more targets are present at Polar Bear and exploration is continuing in this area.

The aircore drilling program at Polar Bear was designed to test a strongly magnetic zone. This was confirmed to be ultramafic rocks and several holes returned anomalous values of nickel and copper. Follow-up work in the next quarter will comprise further aircore drilling and a TEM survey.

PLANNED EXPLORATION – MARCH QUARTER

Nickel Australia has already commenced an expansive exploration program for the March Quarter of 2005. Work programs either scheduled or already in progress are detailed below.

<i>Maggie Hays South</i>	Diamond drilling Downhole EM surveys Aeromagnetic survey
<i>Splinter</i>	Infill and extensional surface geochemical sampling Interpretation and evaluation of aeromagnetic data
<i>Bounty</i>	Aeromagnetic survey Surface EM surveys Diamond drilling Downhole EM surveys
<i>Norseman</i>	Aircore drilling Diamond drilling Downhole EM surveys Surface EM surveys

Released 20th January 2005
Tony Rovira
Managing Director
Nickel Australia Ltd

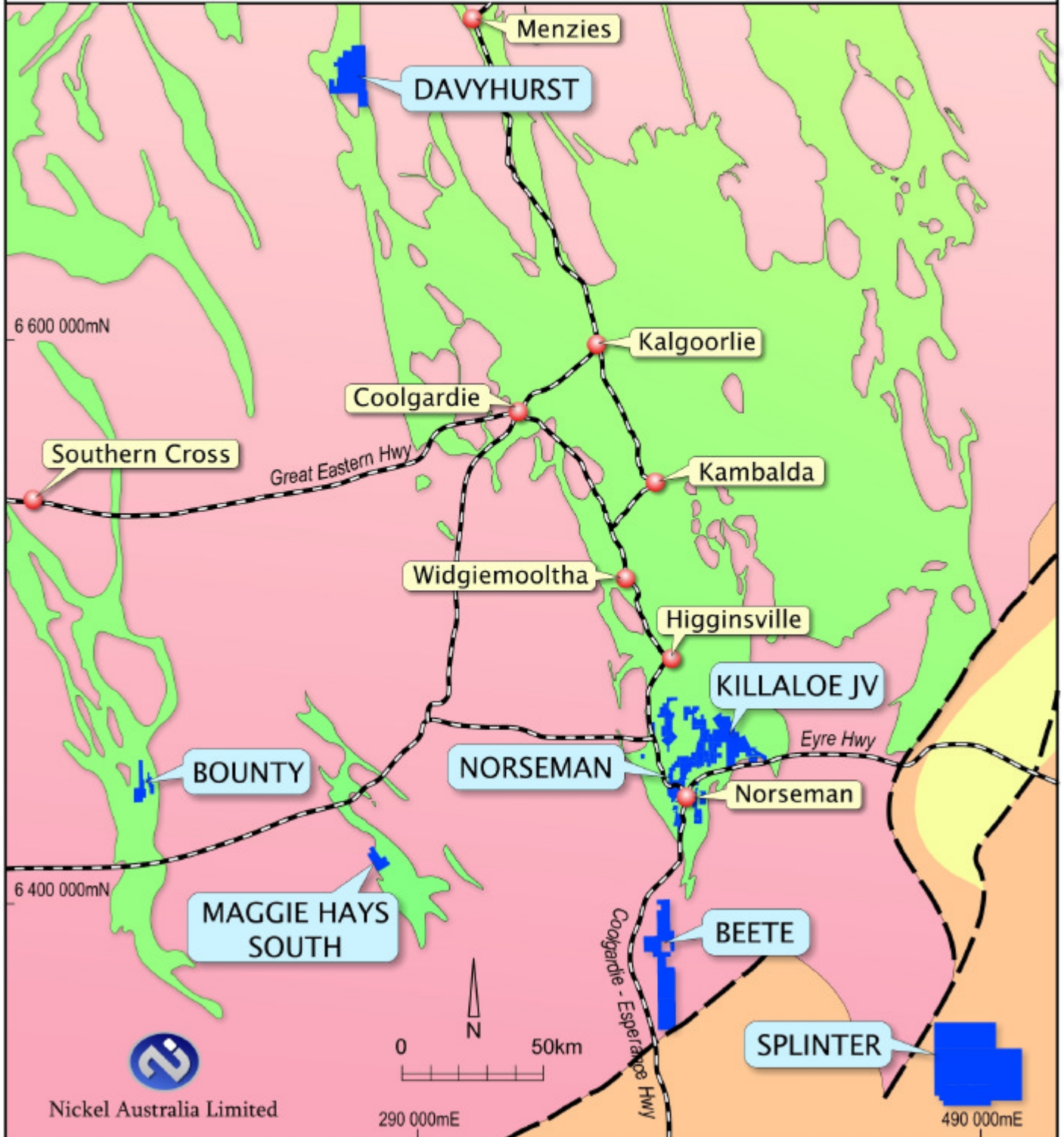
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This report has been compiled by Mr Tony Rovira (Managing Director – Nickel Australia Ltd) who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) with more than 20 years experience in the mining industry. Mr Rovira has relevant 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.

Nickel Australia Project Location Plan



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Nickel Australia Limited

ABN

46 106 346 918

Quarter ended ("current quarter")

31 December 2004

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,284)	(1,997)
(b) development	-	-
(c) production	-	-
(d) administration	(157)	(306)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	128	332
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) GST reclaimable	(16)	-
	(1,329)	(1,971)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(5)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	(2)	(5)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(1,331)	(1,976)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,331)	(1,976)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,331)	(1,976)
1.20	Cash at beginning of quarter/year to date	11,426	12,071
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	10,095	10,095

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	86
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	-
Total	500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	(379)	61
5.2 Deposits at call	10,474	11,365
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	10,095	11,426

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	Earning	Nil	Right to earn 70% of nickel, cobalt, copper, lead, zinc and Platinum Group Metals

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	85,000,004	69,020,004		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	1,780,000 3,560,000 3,560,000	Nil Nil Nil	<i>Exercise price</i> \$0.25 \$0.25 \$0.25	<i>Expiry date</i> 30/11/08 30/11/09 30/11/10
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

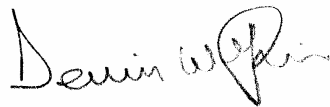
+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.12	Unsecured notes (totals only)				
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: **20 January 2005**

Print name: **Dennis Wilkins**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.