

NICKEL AUSTRALIA LIMITED
ACN 106 346 918

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2004

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with any public announcements made by Nickel Australia Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**NICKEL AUSTRALIA LIMITED
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

Your directors submit their report on the Company for the half year ended 31 December 2004.

DIRECTORS

The names of the directors of Nickel Australia Ltd in office during the whole of the half year and at the date of this report are:

Campbell Ansell
Anthony Rovira
Michael Fowler
John Saleeba

REVIEW OF OPERATIONS AND RESULTS

Nickel Australia is a mineral exploration company with a focus on nickel exploration in Western Australia.

During the half year the Company:

- Commenced exploration at Splinter Project, including surface geochemical sampling, geological mapping, aerial photography and ground gravity and airborne magnetic surveys;
- Continued exploration at Norseman Project with several electromagnetic (EM) conductors identified in surface and downhole geophysical surveys;
- Formed a Joint Venture with Cullen Resources Ltd on the Killaloe Project located adjacent to the Company's Norseman project; and,
- Confirmed the grant of the Mining Leases for the Bounty Project.

The Operating Loss for the half year amounted to \$1,977,438 (2003: \$43,275)

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the Board of Directors:

Anthony Rovira
Managing Director

West Perth
Date: 24 February 2005

NICKEL AUSTRALIA LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	31 Dec 2004 \$	19 Sep 2003 to 31 Dec 2003 \$
Note		
Revenue from operating activities	-	-
Revenue from outside the operating activities	332,710	6,217
Total revenue from ordinary activities	<u>332,710</u>	<u>6,217</u>
Depreciation and amortisation	(46,779)	-
Exploration expenditure written off	(1,794,268)	-
Salaries and wages	(134,262)	(5,957)
Consultants	(37,102)	(10,000)
Director fees	(45,000)	(22,500)
Travel and accommodation	(35,675)	-
Insurance	(52,620)	-
Administration expenses	(60,902)	(1,800)
Other expenses from ordinary activities	(103,540)	(9,235)
Loss from ordinary activities before income tax expense	<u>(1,977,438)</u>	<u>(43,275)</u>
Income tax expense	-	-
Net loss	<u>(1,977,438)</u>	<u>(43,275)</u>
Basic loss (cents per share)	6	<u>(2.33)</u>
		<u>(0.24)</u>

The Statement of Financial Performance should be read in conjunction with the accompanying notes.

NICKEL AUSTRALIA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	Note	31 Dec 2004 \$	30 June 2004 \$
Current Assets			
Cash assets		10,093,423	12,070,545
Receivables		123,420	88,249
Total Current Assets		<u>10,216,843</u>	<u>12,158,794</u>
Non-Current Assets			
Fixed assets		252,100	293,661
Mining tenements and Capitalised acquisition costs		4,626,419	4,270,905
Total Non-Current Assets		<u>4,878,519</u>	<u>4,564,566</u>
TOTAL ASSETS		<u>15,095,362</u>	<u>16,723,360</u>
Current Liabilities			
Payables		600,508	267,532
Provisions		32,204	15,740
Total Current Liabilities		<u>632,712</u>	<u>283,272</u>
TOTAL LIABILITIES		<u>632,712</u>	<u>283,272</u>
NET ASSETS		<u>14,462,650</u>	<u>16,440,088</u>
Equity			
Contributed Equity	5	17,952,332	17,952,332
Accumulated losses		(3,489,682)	(1,512,244)
TOTAL EQUITY		<u>14,462,650</u>	<u>16,440,088</u>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

NICKEL AUSTRALIA LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	31 Dec 2004 \$	19 Sep 2003 to 31 Dec 2003 \$
Cash flows from operating activities		
Payments to suppliers and employees	(286,149)	(30,511)
Payments for exploration expenditure	(2,018,465)	
Interest received	332,710	6,217
Net cash (used in) operating activities	(1,971,904)	(24,294)
 Cash flows from investing activities		
Payment for plant and equipment	(5,218)	-
Net cash (used in) financing activities	(5,218)	-
 Cash flows from financing activities		
Proceeds from share issues	-	15,050,000
Capital raising costs	-	(49,231)
Funds received on trust	-	13,000
Net cash from financing activities	-	15,013,769
 Net (decrease) / increase in cash held	(1,977,122)	14,989,475
Cash at the beginning of the half year	12,070,545	-
Cash at the end of the half year	10,093,423	14,989,475

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

NICKEL AUSTRALIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose financial report for the interim half year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Nickel Australia Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial report unless stated otherwise.

NOTE 2 DIVIDENDS

No dividends have been paid or provided for in the half year.

NOTE 3 SEGMENT INFORMATION

The reporting entity operates within the exploration industry in Western Australia.

NOTE 4 SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity subsequent to the half year ended 31 December 2004.

NOTE 5 SHARE CAPITAL

	Shares	\$
• Balance as at 31 December 2004	85,000,004	17,952,332
	<hr/> 85,000,004	<hr/> 17,952,332

NICKEL AUSTRALIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NOTE 6 EARNINGS PER SHARE

Weighted average number of ordinary shares used in calculation of basic earnings per share is 85,000,004. Options to purchase ordinary shares not exercised at 31 December 2004 have been included in the determination of diluted earnings per share.

Diluted earnings per share does not represent an inferior view of the Company's performance and is not disclosed for this reason.

NOTE 7 CONTINGENT LIABILITIES

The Company is not aware of any contingent liabilities which existed as at the end of the half year or have arisen as at the date of this report.

NOTE 8 THE IMPACT OF ADOPTING INTERNATIONAL ACCOUNTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year. The Company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised. The directors are of the opinion that the key differences in the Company's accounting policies which will arise from the adoption of IFRS are:

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.

NICKEL AUSTRALIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

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 a change in the company's current accounting policy which determines recoverable amount of an asset on the basis of undiscounted cashflows. Under the new policy it is likely that the impairment of assets will be recognised sooner and the amount of write downs will be greater.

Acquisition and evaluation costs

AASB 6 "Exploration for and Evaluation of Mineral Resources" continues to allow companies to "apply area of interest" accounting to their exploration and evaluation expenditures, effectively grandfathering the treatment of capitalising exploration and evaluation costs currently used by the Company under AASB 1022 "Accounting for the Extractive Industries". Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. It is anticipated that it is unlikely that the requirements of this standard will have a material impact on the financial position of the Company, however acquisition costs capitalized will need to be written off or reduced if the Company abandons the area of interest or the fair value is deemed to be less than the carrying value. All exploration and evaluation costs are expensed as incurred.

The directors declare that the financial statements and notes set out on pages 2 to 7:

- (i) Comply with Accounting Standard (AASB 1029; Interim Financial Reporting), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) Give a true and fair view of the reporting entity's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows for the half year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Nickel Australia Limited will be able to pay its debts as and when they become due and payable.

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

Anthony Rovira
Managing Director

West Perth
Date: 24 February 2005



STANTON PARTNERS

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WESTERN AUSTRALIA

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Facsimile: (08) 9321 1204

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF NICKEL AUSTRALIA LIMITED

Scope

We have reviewed the financial report comprising of the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements and the directors' declaration of Nickel Australia Limited (the Company) for the half-year ended 31 December 2004. The directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company that complies with Accounting Standard AASB 1029 "Interim Financial Reporting" 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 report.

Review Approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

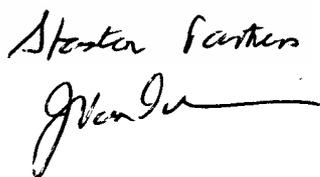
We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Company a written Auditor's Independence Declaration.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nickel Australia Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

STANTON PARTNERS



J P Van Dieren
Partner

West Perth, Western Australia
25 February 2005



STANTON PARTNERS

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25 February 2005

Board of Directors
Nickel Australia Ltd
Level 1
30 Richardson Street
WEST PERTH WA 6005

Dear Directors

RE: NICKEL AUSTRALIA LTD

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Nickel Australia Ltd.

As Audit Partner for the review of the financial statements of Nickel Australia Ltd for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTON PARTNERS

John Van Dieren
Partner