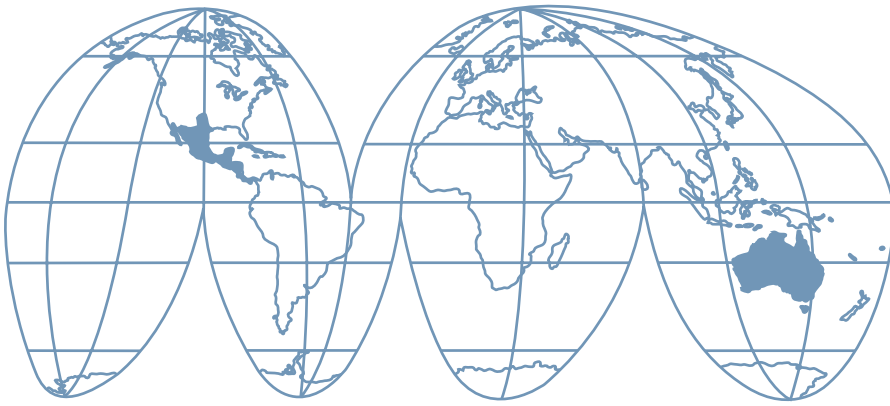


**Nickel Australia seeks to
become an independent
minerals producer
through exploration
success and project
acquisition**



Mexico and Australia



2006 Annual Report



Nickel Australia Limited

Directory

ABN 46 106 346 918

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
(08) 9481 2555

Solicitors

Salter Power Pty Ltd
Level 2, 6 Kings Park Road
WEST PERTH WA 6005

Bankers

Commonwealth Bank of Australia Limited
National Australia Bank Limited

Share Register

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

Stantons International
Level 1, 1 Havelock Street
WEST PERTH WA 6005

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ASX Code

Shares NKL

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Vision, Strategy

Overview

VISION

Our objective is to become an independent minerals producer through exploration success and selective project acquisition.

STRATEGY

Focus on exploration for precious and base metal deposits.

Acquire advanced stage exploration and/or development projects in Mexico.

WHY MEXICO?

- Very accessible, under-explored, world-class mineral province
- Contains numerous precious and base metal mines
- Low sovereign risk:
 - Stable, democratic country
 - Well established mining culture for over 400 years
 - Positive public, government and bureaucratic support for mining
 - Strong and effective mining legal system
 - Contemporary taxation system with zero mining royalties
- Ready availability of well trained and experienced geoscientists
- Good local and national infrastructure



and Highlights



HIGHLIGHTS

Mexico

- Exploration commences in Mexico on 14 projects prospective for precious and base metals.
- Initial drilling program in Mexico discovers;
 - high grade silver-lead-zinc mineralisation in massive sulphides at Jagüey; and
 - extensive gold-silver mineralisation at Cardeleña.
- Significant molybdenum mineralisation identified on surface at San Nicolas.
- Reconnaissance exploration identifies strong geophysical and geochemical anomalies at Potreritos and Pozo de Nacho, indicative of sulphide-rich porphyry copper systems.

Australia

- Strong geophysical and geochemical anomalies identified at Splinter, indicating potential for IOCG (iron oxide copper gold) mineralisation.
- High grade platinum and palladium intersected in drilling at Norseman.

OBJECTIVES FOR 2007

- Continue our intensive exploration activities in Mexico, progressing one or more projects to resource definition stage.
- Implement an aggressive program of project appraisals with the objective of acquiring an advanced exploration stage or development project in Mexico.
- Continue investigating the potential of the anomalies at Splinter
- Undertake more active promotion to raise investor awareness of the potential of the company.



Chairman's Report

The past year has been one of mixed results for your company. Successful exploration in Mexico has proved the wisdom of the company management's decision for geographical diversity. The exploration program there has produced excellent drill results from Cardeleña and Jagüey, as well as a number of exciting targets at Pozo de Nacho and Potreritos. In 2007 the company will be aiming to progress at least one of the Mexican projects to resource definition stage, as well as seeking the acquisition of an advanced stage project.

In Australia, the Splinter project northeast of Esperance shows considerable promise for base metals, evidenced by strong gravity and aeromagnetic anomalies and initial drilling results. Splinter will be the primary focus for exploration within Australia in the coming year.

Despite a comprehensive exploration drive in the Norseman area, we have been unsuccessful in identifying significant nickel targets. Consequently the current year's results have borne the effect of writing off the investment in the Norseman project. However, as discussed in the operations report, the company retains an interest in some Norseman tenements which show promise for containing Platinum Group Metals which will be further investigated in the current year.

As the company has diversified from both the minerals it is exploring for, and its area of geographical focus, it is proposed to change the company name to Azure Minerals Limited and you will be asked to approve this at the Annual General Meeting.

I would like to thank both the management team and my fellow directors for their efforts and support during the year, and look forward to a successful year ahead of us.

Cam Ansell
Chairman





A vigorous drilling and exploration program has resulted in 18,702 metres of drilling with encouraging results in a number of areas.



Operations Review



Nickel Australia continues to intensively explore its projects in Australia and Mexico, and has also undertaken several due diligence studies of potential acquisitions.



Exploration Activities and Projects

EXPLORATION ACTIVITY DURING 2005 - 2006

Diamond Drilling	13 holes for 978 metres
Reverse Circulation Drilling	14 holes for 2,198 metres
Aircore Drilling	351 holes for 11,789 metres
RAB Drilling	93 holes for 3,737 metres
Surface Geochemical Samples	1,235 samples
Downhole Electromagnetic Surveys	10 holes surveyed
Surface Electromagnetic Surveys	118 line kilometres & 2,436 stations
Surface Magnetic Surveys	192 line kilometres
Surface Gravity Surveys	268 line kilometres & 707 stations
Surface Induced Polarisation Surveys	14.7 line kilometres

PROJECTS

PROJECT	LOCATION	OWNERSHIP
Mexico	Mexico	Earning 75% ownership in 14 projects
Splinter	Western Australia	100% project ownership
Edenhope	Victoria	100% project ownership
Norseman	Western Australia	100% of the nickel, base metal & uranium rights
Davyhurst	Western Australia	100% of the nickel, base metal & uranium rights
Bounty	Western Australia	Earning 80% of the nickel and base metal rights
Killaloe	Western Australia	Earning 70% of the nickel and base metal rights

INTRODUCTION

During 2005-06 Nickel Australia continued its approach to enhance the company through a multi-stage development strategy, with the focus on:

- identifying high quality precious and base metal projects in regions containing world class deposits;
- undertaking intensive exploration to rapidly assess and advance these projects;
- enhancing the company's project portfolio by acquiring additional exploration projects; and
- investigating opportunities to acquire advanced stage projects capable of being brought to production in the near term.

The company has enjoyed a successful year. The good results from recent exploration programs in Mexico have firmly established the company's Mexican operations as the focus for the future. The presence of Nickel Australia as an active explorer in Mexico has garnered the attention of other Mexican-focused companies, resulting in frequent approaches by vendors with project acquisition opportunities. The company is continuing its evaluations of these potential acquisitions.

Nickel Australia is committed to continuing its intensive exploration program, as only drilling will result in the discovery of orebodies. Consequently an exploration budget of A\$2.8 million has been approved for the 2006-07 year. Approximately 70% of this budget has been allocated to exploration for precious and base metals in Mexico with the remainder allocated to explore for copper, gold, nickel, Platinum Group Metals and uranium in Australia.





Operations Review - Mexico

MEXICO

(Nickel Australia Ltd earning 75% project ownership)

Nickel Australia's portfolio of projects was significantly enhanced by entering into the Joint Venture and Strategic Alliance in Mexico with Geoinformatics Exploration Inc (GXL) and Kennecott Exploration (the North American subsidiary of Rio Tinto plc). The company has the opportunity to earn a 75% interest in up to 14 projects located in the northern Mexican state of Sonora.

This agreement provides the company with a low-risk exposure to the under-explored, world class mineral province of the Sonora Porphyry Belt for relatively low entry expenditure. This region hosts many significant operating mines; for example, the giant porphyry copper-(molybdenum-silver-gold) mines of Cananea and La Caridad and the large epithermal gold-silver mines of Ocampo and Palmarejo.

The company's projects are considered prospective for hosting economic mineral deposits with a range of commodities, chiefly gold, copper, silver and molybdenum. All of them contain positive indications of mineralisation, including old mine workings, mineralised drillhole intercepts and/or surface geochemical anomalies.

Exploration during the past year has been very successful, with the discovery of a new gold-silver deposit at Cardelena, high grade silver-lead-zinc mineralisation at Jagüey, and significant molybdenum mineralisation at San Nicolas. In addition, geochemical and geophysical programs at Pozo de Nacho and Potreritos have defined extensive anomalies indicative of porphyry copper systems hosting strong sulphide mineralisation.



Mexico Project Location Plan





Nickel Australia has incorporated a company in Mexico called Minera Piedra Azul SA de CV (Spanish for Blue Stone Mining). Minera Piedra Azul has established an exploration and administration office in Hermosillo, the capital of Sonora, and staffed it with an Australian Exploration Manager and several experienced local geologists and support staff.



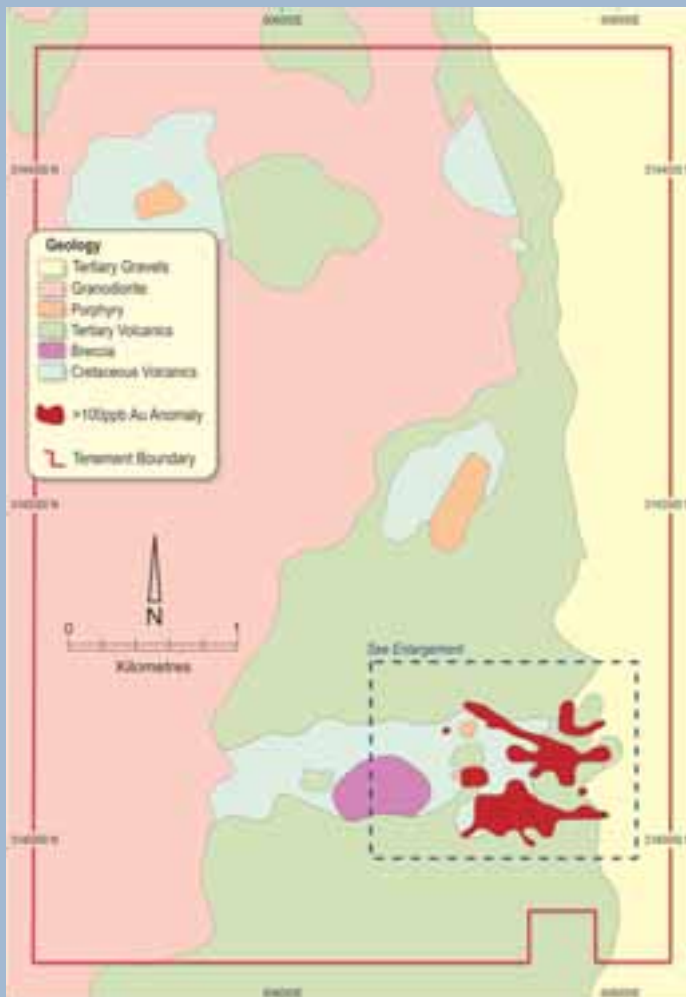


Operations Review - Mexico

Cardeleña

Gold – Silver – Copper

The Cardeleña project is located about 130 kilometres southeast of Hermosillo, close to good infrastructure including sealed roads, water and power. The local area is well endowed with mineralisation, including porphyry copper systems, epithermal polymetallic vein and structural gold deposits. The project area is underlain by a highly prospective mix of intrusive and volcanic rocks and intrusive breccias.



Cardeleña Project Plan

Gold-Silver

An extensive soil sampling program defined two large areas (700m x 300m) of +0.1g/t gold soil anomalism, with gold values peaking at 1.64g/t Au. The southern anomaly is associated with ridges of outcropping breccias, while the northern anomaly overlies an area concealed by pediment.

A six hole Reverse Circulation (RC) drilling program was completed as an initial test of the two soil anomalies (two of the holes were abandoned before reaching target depth due to poor ground conditions and were redrilled). Each hole intersected wide zones of gold and silver mineralisation in deeply weathered and strongly altered volcanics, porphyries and breccia, with a best intercept of:

- 30.5metres @ 1.85g/t gold & 9.2g/t silver from 91.4 metres in CAR-RC-03.

Mineralisation was intersected from surface on the southern anomaly and immediately below the shallow pediment cover on the northern anomaly, and continued to depths of up to 180 metres. It is hosted in multiple, parallel zones of quartz-tourmaline-iron oxide breccias containing intense stockwork quartz veining. The zones trend east-west and have a vertical to steep southerly dip.

Following the drill program, a series of bulldozer trenches were cut across the southern anomaly to expose the mineralised structures in areas covered by soil and scree. Geological mapping and sampling identified significant widths (up to 30 metres) of outcropping

brecciation, quartz veining and alteration over a strike length of at least 800 metres. The mineralised zone currently remains open along strike to both the east and west, where it is obscured by alluvial and scree cover.

Channel and rock chip samples were collected from the trench and outcrop sampling program. Assay results confirm the mineralised nature at surface of the breccias and quartz stockwork, with individual gold and silver grades up to 11.45g/t Au and 31.6g/t Ag. The best two trenches returned mineralised intervals of:

- 6m @ 5.7g/t gold & 14.6g/t silver
- 20m @ 2.2g/t gold & 10.1g/t silver.

The positive results returned from the RC drilling and trenching programs, together with the significant dimensions outlined, have highlighted the potential of this project to contain substantial open-pittable gold and silver mineralisation.

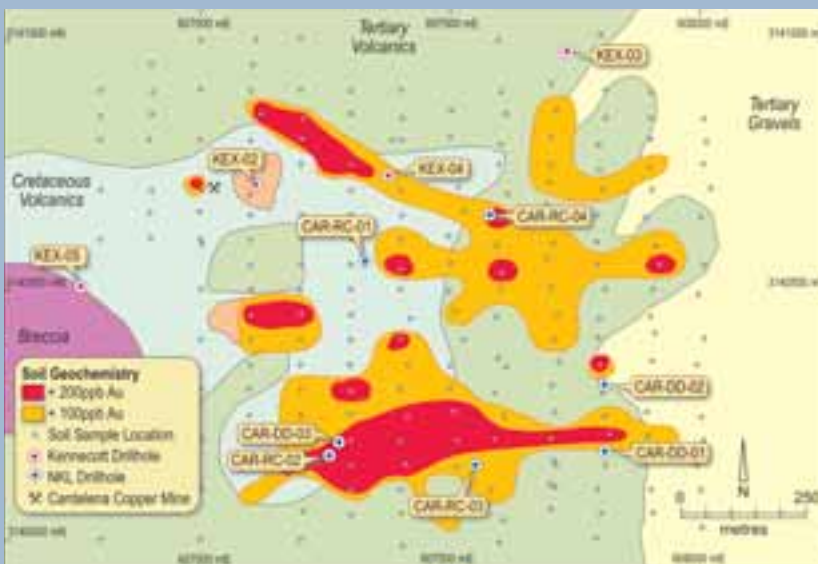
Subsequent to the end of the 2005/06 year, the company implemented a follow-up diamond core and RC drilling program to provide detailed information on the

internal grade and width continuity of the mineralisation and to test the strike and depth extents of the mineralised zone.

Copper

Historical drilling by Kennecott Exploration at Cardeleña targeted porphyry copper mineralisation in the vicinity of the old Cardeleña Copper Mine. Anomalous drill intercepts, including 36m @ 0.3% copper, 10g/t silver & 0.07g/t gold, were returned from near-surface oxide mineralisation. Kennecott deemed the target to be too small to meet their corporate criteria and completed no further work.

Control and ownership of the project were transferred to Geoinformatics and then to the Nickel Australia joint venture. This prospect has good potential to contain significant copper oxide mineralisation, and further exploration for copper will be carried out in the coming year.



Cardeleña Soil Anomaly and Drill Hole Location Plan



Operations Review - Mexico

Jagüey

Silver - Lead - Zinc - Copper

Jagüey is located in the western foothills of the Sierra Madre Occidental mountain range, about 190 kilometres east of Hermosillo. The project area contains volcanic and intrusive rocks prospective for porphyry copper and associated styles of mineralisation. Small historical workings exploited copper-gold skarns and polymetallic massive sulphide veins. Both these mineralisation types are positive indicators of porphyry copper systems.



Jagüey Project Plan

Kennecott originally acquired the property because of an extensive, strongly leached alteration system potentially associated with porphyry copper mineralisation. They completed an initial work program of reconnaissance mapping and sampling, identifying significant geochemical anomalism within the alteration system. Following this early work, the project was transferred to Geoinformatics, and was then assigned to the joint venture with Nickel Australia.

In the past year, Nickel Australia completed two Induced Polarisation (IP) surveys to define the sulphide-rich parts of the alteration system, grid-based soil sampling, and a diamond core drilling program. The IP surveys were highly successful, identifying two very strong chargeability anomalies indicative of significant accumulations of disseminated sulphide minerals.

Drill testing of the eastern IP anomaly returned several intercepts of near surface, high grade silver-lead-zinc mineralisation hosted in massive sulphide veins and breccias in two drill holes. Significant intercepts included:

- 0.7 metres @ 3,180g/t silver & 19% lead + zinc from 19.2 metres in JAG-DD-04
- 1.1 metres @ 122g/t silver & 13.8% lead + zinc from 116.8 metres in JAG-DD-05.

These drill results, plus extensive lead-silver and copper-gold anomalies defined in the soil sampling program, are suggestive of metal zonation surrounding a porphyry copper deposit.



Jagüey Drill Hole Location Plan

Further diamond drilling is planned at Jagüey to follow-up these very promising initial drill results and to continue testing both IP anomalies. Exploration for the associated porphyry copper system will continue through geological mapping, extensional soil sampling and geophysical surveying.



Operations Review - Mexico

Pozo de Nacho

**Copper - Molybdenum -
Gold - Silver**

Pozo de Nacho is located 105 kilometres southeast of Hermosillo, and less than five kilometres south of the main highway connecting Hermosillo with Chihuahua City. Much of the project area is underlain by sedimentary rocks, with small plugs of quartz-feldspar porphyry exposed in the centre of the property.

The porphyries and surrounding sedimentary wallrocks are intensely quartz-sericite altered with abundant quartz stockwork veining, ferruginous veinlets, and occasional copper oxide mineralisation.

Kennecott completed reconnaissance geological mapping, stream sediment and rock chip sampling on the property. Stream sediment samples returned strongly anomalous copper and molybdenum values. The NKL-GXL joint venture followed up with a grid-based soil sampling program.

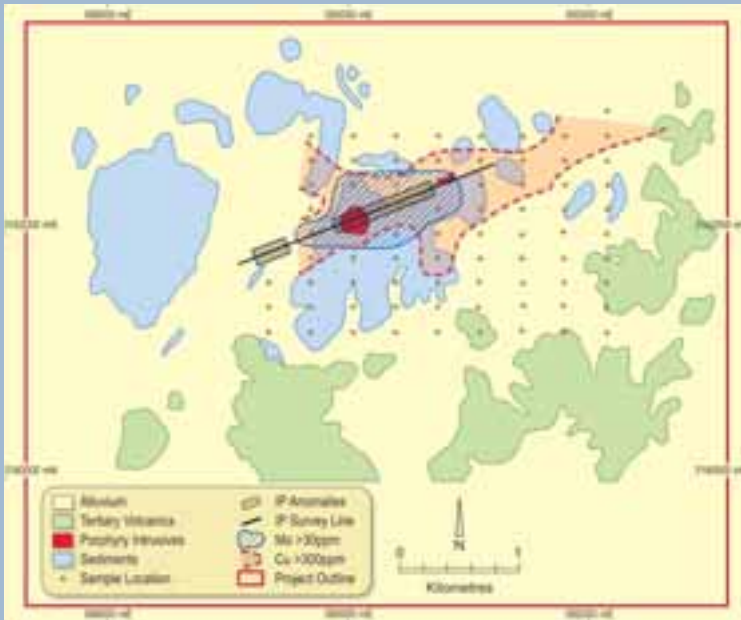
This identified a classic porphyry copper-style metal zonation extending over an area in excess of two kilometres long by one kilometre across, and centred on a

small quartz-feldspar porphyry hill. This anomaly has high copper and molybdenum values in the centre extending outwards to high levels of silver and base metals on the periphery.

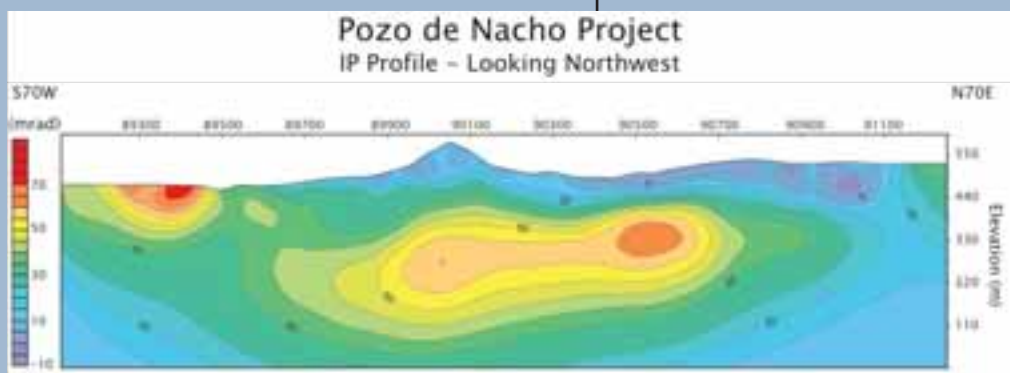
Samples returned strongly anomalous geochemical values, up to 0.54% copper, 686ppm molybdenum, 1.14g/t gold, 0.6% lead and 0.2% zinc.

Towards the end of the year, Nickel Australia completed an IP survey along the central axis of the geochemical anomaly. Two very strong chargeability highs were identified, indicating the presence of substantial volumes of disseminated sulphides. The eastern anomaly is over 800 metres long and commences about 100 metres below surface. It lies beneath the centre of the alteration system and geochemical anomaly. The smaller, more intense western anomaly is located about 1,300 metres to the southwest, starting at about 50 metres beneath a veneer of alluvial cover.

The geochemical and geophysical anomalies, together with the presence of strongly altered and mineralised quartz-feldspar porphyry, indicate that a significant porphyry copper system may be located at a shallow depth. Diamond drilling is planned to test the potential of Pozo de Nacho.



Pozo De Nacho
Project Plan



Pozo De Nacho
IP Section

Potreritos

Copper - Molybdenum

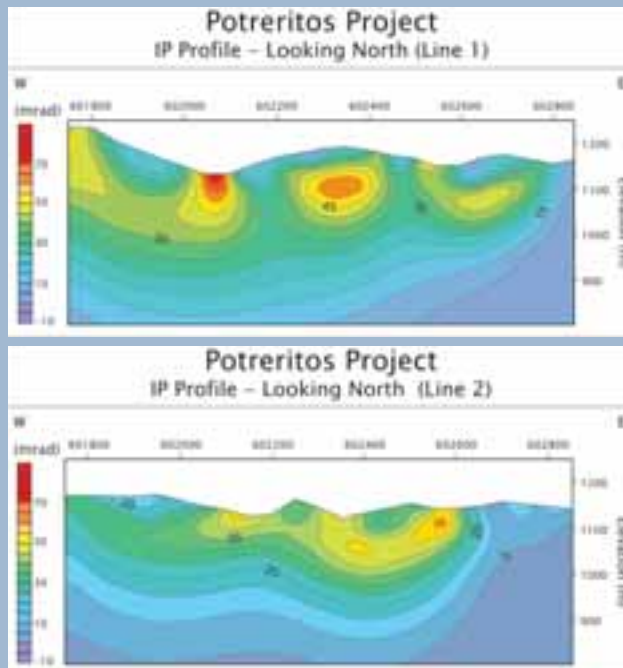
Potreritos is located 115 kilometres northeast of Hermosillo, less than 10 kilometres from the main Hermosillo-Nacozari highway. The property covers the southern extension of the Cumobabi molybdenum- copper field, Mexico's highest grade and largest molybdenum mine hosted by intrusive breccias.

Geological mapping and sampling identified numerous geochemically-anomalous intrusive breccias with potential to host economic copper and molybdenum mineralisation. Follow-up exploration led to the discovery of fresh chalcopyrite (copper sulphide mineralisation) in outcropping breccias. Subsequent grid-based soil sampling defined a copper anomaly coincident with the chalcopyrite-bearing breccia, and extending to the east over other breccia outcrops. Rock chip samples from the area returned anomalous copper values up to 1.7% Cu.

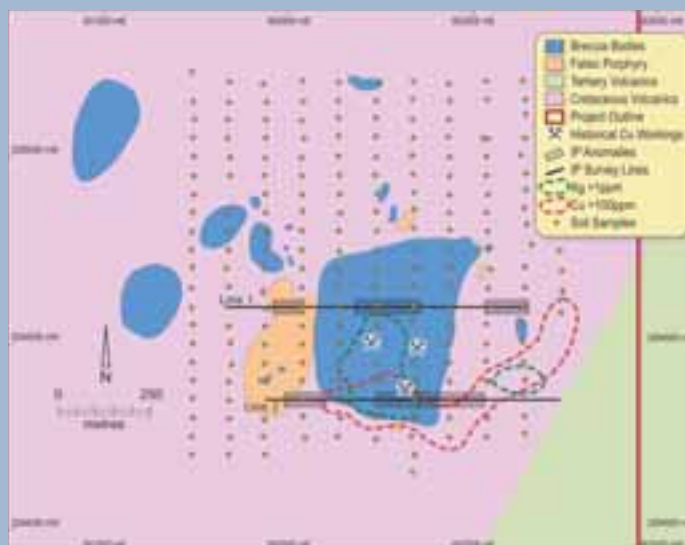
The company then completed two lines of IP across the main breccia body. The survey identified two strong chargeability highs commencing within 100 metres of surface, indicating the presence of a substantial sulphide-bearing system. Diamond core drilling will be undertaken to test these combined geophysical / geochemical targets.



Potreritos Project Plan



Potreritos IP Sections



Potreritos Geology Plan



Operations Review - Mexico

San Nicolas

Copper - Molybdenum - Silver

The San Nicolas project straddles the Hermosillo-Chihuahua highway 185 kilometres southeast of Hermosillo. The property is located in a well-mineralised district containing numerous historical copper mines, and several large, newly operational gold-silver mines.



The project area is underlain by intrusive felsic to intermediate rocks and intrusive breccias, and is considered highly prospective for porphyry copper-molybdenum systems and associated styles of mineralisation.

Reconnaissance geological mapping and sampling confirmed the potential of the property, with rock chip sampling returning high grades up to 6.2% copper, 795g/t silver, and 7.1% zinc. Furthermore, historical workings discovered while mapping a hill of intrusive breccia revealed outcrops containing visible molybdenite (a molybdenum sulphide ore mineral), and samples collected from the outcrop returned high molybdenum grades, peaking at 5,340ppm Mo.

Two bulldozer trenches were excavated into the side of the hill and exposed a quartz-sericite-pyrite altered monzonite dyke containing molybdenum-rich pegmatite veins and coarse disseminations of molybdenite.

Two metre long channel samples collected from the first trench returned a best interval of 30m @ 800ppm Mo, including 6m @ 1,100ppm Mo and 8m @ 1,200ppm Mo. The second trench returned two anomalous intervals of 32m @ 560ppm Mo and 8m @ 1,100ppm Mo.

The company considers that this project has great potential for several different styles of mineralisation. Further exploration will be undertaken, commencing with a geophysical survey over the molybdenum-hosting monzonite dyke, followed by drilling.



Tabisco

Gold - Silver

Tabisco is located about 150 kilometres northeast of Hermosillo. Geologically, the project area contains felsic volcanics and porphyries, with two strongly altered lithocaps and an extensive array of epithermal quartz veining.

Rock chip sampling returned anomalous values of copper and molybdenum from the lithocaps and gold and silver from the quartz veins. However, despite the strong geochemical anomalies and the fact that the quartz veins host several historical mine workings, no drilling had been carried out at Tabisco prior to the work by Nickel Australia.

Three diamond core holes and three RC holes were completed at Tabisco during the year. The RC holes were designed to test for porphyry-style copper-gold-molybdenum mineralisation beneath the leached lithocaps. Strong leaching and alteration were intersected, however no significant base metal mineralisation was returned.

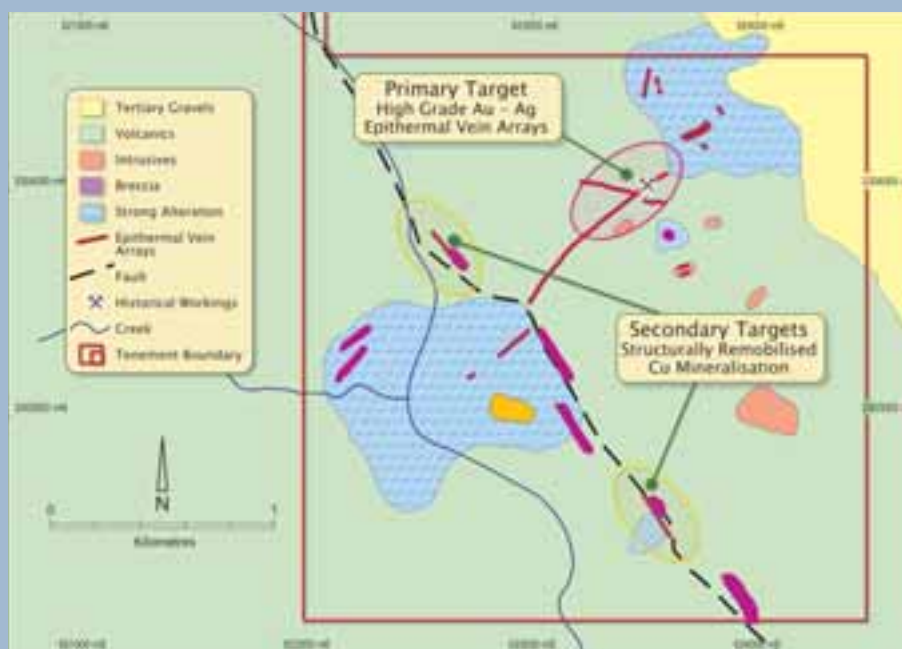
The diamond holes targeted the epithermal vein system in the vicinity of the old workings. The holes were drilled on the same cross section and quartz veining was intersected in all three holes over a vertical extent of 150m. The first hole intersected several zones of high grade gold and silver mineralisation associated with quartz veins. The second and third holes returned lower grade, but still significant, gold and silver mineralisation. Better intercepts include:

- 1.7 metres @ 22.0g/t gold & 332g/t silver from 16.1 metres in TAB-DD-01
- 4.0 metres @ 4.00g/t gold & 144g/t silver from 27.0 metres in TAB-DD-01
- 1.3 metres @ 5.77g/t gold & 849g/t silver from 66.8 metres in TAB-DD-01
- 2.5 metres @ 1.10g/t gold & 69g/t silver from 44.4 metres in TAB-DD-02
- 1.5 metres @ 1.73g/t gold & 114g/t silver from 166.8 metres in TAB-DD-03.

The company believes that Tabisco is prospective for quartz vein hosted gold and silver mineralisation and further work will be undertaken in the coming year.



Tabisco Project Plan



Operations Review - Mexico

Arroyo Amarillo

Gold - Silver - Copper
- Lead - Zinc

During the year, the company exercised its right to have a new project assigned into the NKL-GXL joint venture, when it was offered the Arroyo Amarillo project by Geoinformatics. Arroyo Amarillo lies adjacent to the Hermosillo-Chihuahua highway about 190 kilometres southeast of Hermosillo and 10 kilometres north of the San Nicolas project area.

The project area covers 962 hectares overlying volcanic and intrusive rocks. The local geology shows evidence of strong alteration and stockwork quartz vein development, with several groups of old mine workings present. Rock chip sampling returned high grade mineralisation, including 1,395g/t silver, 2.7g/t gold, 1.2% copper, 16.2% lead and 2.4% zinc. The alteration and mineralisation are indicative of a high sulphidation epithermal system and the property is considered to be highly prospective for gold and silver-rich, polymetallic sulphide vein mineralisation.



Other Mexican Projects

At Adriana, one RC hole was drilled to a depth of 290 metres. This hole was designed to test for higher grade extensions to a zone of moderate copper mineralisation (47m @ 0.17% cu) previously intersected by Kennecott. No significant copper mineralisation was intersected and exploration for copper on this prospect has been completed. However geological mapping and rock chip sampling identified an area containing hematitic alteration and silver-gold anomalism at surface, and further work will be carried out to investigate this potential

At San Juan, one diamond core hole targeting a zone of silver-rich epithermal veins was completed to a depth of 350 metres. The hole intersected numerous quartz veins, however only minor silver grades were returned. Following a data review, this project was relinquished.



Details of Significant Drill Intercepts

Cardeleña Project – Significant Gold-Silver Drill Intercepts

Hole No	North (m)	East (m)	Dip / Azimuth	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)
CAR-RC-01	3 140 554	607 329	-70°/ 360°	30.5	61.0	30.5	0.50	10.7
CAR-RC-02 *	3 140 166	607 262	-70°/ 300°	0.0	97.5	97.5	0.25	2.6
CAR-RC-02A	3 140 163	607 265	-80°/ 300°	0.0	176.8	176.8	0.21	4.7
CAR-RC-03 *	3 140 164	607 551	-70°/ 360°	91.4	121.9	30.5	1.85	9.2
			including	112.8	115.8	3.0	11.65	23.8
CAR-RC-03A	3 140 164	607 561	-80°/ 035°	112.8	198.1	85.3	0.52	5.0
CAR-RC-04	3 140 651	607 577	-70°/ 180°	6.1	12.2	6.1	0.16	17.3

* = Hole terminated early due to difficult drilling conditions

NOTE: Samples assayed at ALS Chemex (Vancouver) using method GRA21 (gold) & AA46 (silver)
Drill intercepts calculated as weighted averages using a 0.1g/t Au cut-off and no top cut

Tabisco Project – Significant Gold-Silver Drill Intercepts

Hole No	North (m)	East (m)	Dip / Azimuth	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)
TAB-DD-01	3 303 750	623 636	-50°/300°	16.1	17.8	1.7	22.0	382
				27.0	31.0	4.0	4.00	144
				66.8	68.1	1.3	5.77	849
TAB-DD-02	3 303 751	623 636	-70°/300°	28.4	29.9	1.5	0.98	18.8
				44.4	46.9	2.5	1.09	69.2
TAB-DD-03	3 303 705	623 650	-75°/302°	166.8	168.3	1.5	1.73	114

NOTE: Samples assayed at ALS Chemex (Vancouver) using method GRA21 (gold) & AA46 (silver)
Drill intercepts calculated as weighted averages using a 0.1g/t Au cut-off and no top cut

Jagüey Project – Significant Silver-Lead-Zinc Drill Intercepts

Hole No	North (m)	East (m)	Dip / Azimuth	From (m)	To (m)	Interval (m)	Ag (g/t)	Pb (%)	Zn (%)
JAG-DD-04	3 176 980	688 710	-70°/270°	19.2	25.2	6.0	388	1.6	1.0
			including	19.2	19.9	0.7	3180	12.8	6.2
			and	24.7	25.2	0.5	156	1.0	2.3
				37.4	37.9	0.5	526	2.9	1.4
				157.0	159.9	2.9	70	1.2	0.9
				184.5	188.5	4.0	38	0.7	0.5
				214.2	220.8	6.6	50	0.8	0.5
JAG-DD-05	3 176 980	688 710	-80°/ 270°	9.2	16.1	6.9	105	0.7	0.3
				90.5	90.9	0.4	89	1.3	2.3
				95.9	96.5	0.6	242	6.7	3.2
				116.8	117.9	1.1	122	3.4	10.4

NOTE: Samples assayed at ALS Chemex (Vancouver) using method AA46 (silver, lead & zinc)
Drill intercepts calculated as weighted averages using a 30g/t Ag cut-off and no top cut.





Operations Review - Australia



Australian Project Locations



Western Australian Project Location Plan

Splinter

Gold, Copper, Nickel, Uranium

(Nickel Australia Ltd 100%)

Splinter represents a significant exploration project for the company. Comprising four granted Exploration Licences covering 840km², the property is located about 120km northeast of the port of Esperance with good access, mostly via sealed roads and then unsealed farm tracks.

Splinter is situated in the Albany-Fraser Province of southern Western Australia. It contains mafic and ultramafic rocks, granitoids and gneisses, and is the locus of several major structural trends and faults. With most of the project area obscured by alluvial cover, geophysical surveys and drilling are the principal exploration methods.

Field exploration during the year focused on the copper, gold and uranium potential of the area. An extensive gravity survey was undertaken to identify discrete geological bodies with a significant density contrast to the surrounding country rocks. In this geological environment, such an anomaly could be representative of the following styles of mineralisation:

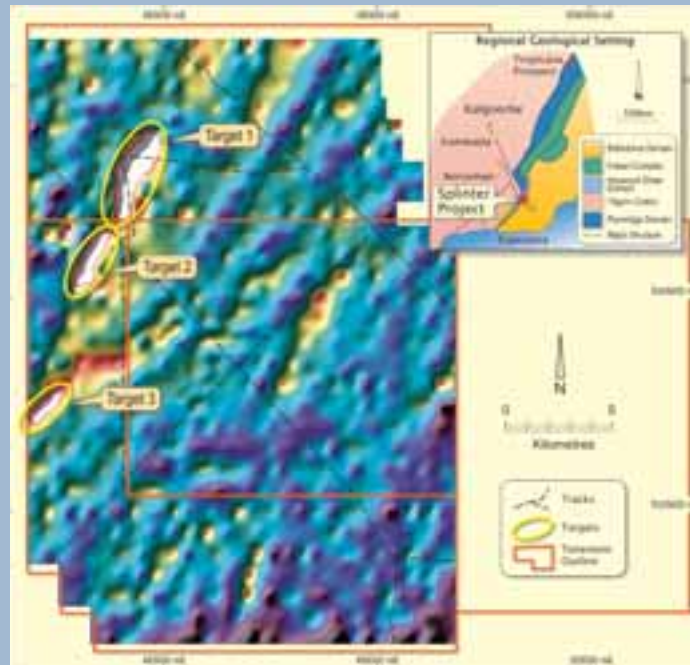
- shear-hosted gold deposits similar to Tropicana (also hosted in the Albany Fraser Province);
- iron oxide copper-gold deposits (Ernest Henry style);



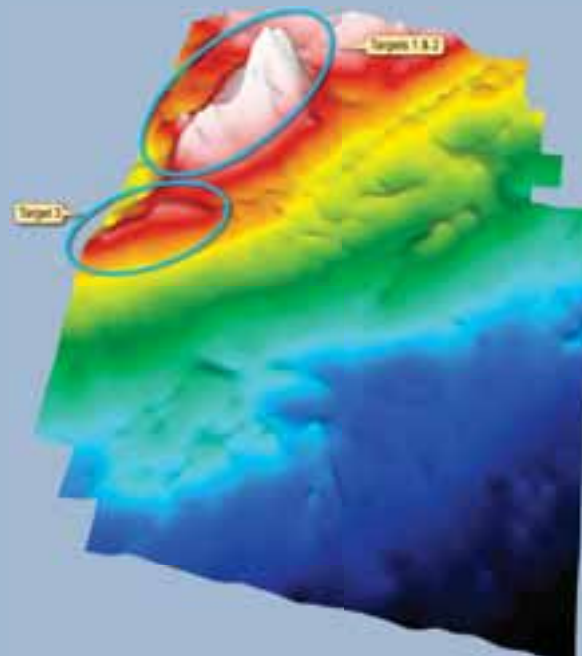
- intrusive-hosted nickel-copper sulphide deposits (Voisey's Bay style);
- paleochannel-hosted uranium deposits (Yeelirrie style); and
- iron ore (Southdown magnetite style).

Three very strong gravity anomalies were identified in the northwestern part of the project area. Each represents a zone of significantly higher density than the surrounding host rocks. The largest and strongest anomaly (Target 1) has dimensions of about four kilometres long and one kilometre wide. It is a +8 milligal anomaly representing a coherent and substantial geological body with a density of up to 3.9t/m³. The company's geophysical consultants concluded that this anomaly most likely indicates an iron oxide alteration system, which may represent an IOCG (iron oxide copper-gold) style of mineralisation.

Following the end of the year, two drilling programs were carried out over Target 1. These comprised an initial line of reconnaissance aircore drilling followed by two diamond core holes. Rock types intersected included magnetite-altered gneiss containing bands of massive magnetite, which most likely represent the source of the gravity anomalism, and amphibolites, dolerites and granites. Sulphide minerals, including chalcopyrite and molybdenite, are commonly associated with the magnetite. Geochemically, the magnetite-rich gneisses are anomalous in copper, gold, vanadium, barium, and Rare Earth Elements (eg cerium and lanthanum). These elements are indicative of IOCG mineralisation systems.



Splinter Project Plan



Splinter 3D Gravity Image and Targets

Due to the favourable geological setting, together with the presence of significant gravity anomalies and elevated geochemical signatures of pathfinder elements, the company believes that Splinter has excellent potential for hosting large scale IOCG deposits. Further exploration will continue over the following year.





Operations Review - Australia

Norseman

Nickel, Copper &
Platinum Group Metals
(Nickel Australia Ltd 100%)

Nickel Australia's Norseman project, located 200km south of Kalgoorlie, is prospective for Platinum Group Metals (platinum and palladium), nickel and copper mineralisation hosted by layered mafic-ultramafic intrusive complexes. The property contains two such intrusive complexes – the Mission Sill and the Mt Thirsty Sill.



Norseman and Killaloe Projects Location Plan

During the year the company completed two programs of aircore drilling (137 holes for 6,118 metres), followed by diamond drilling, on the Mission Sill. The aircore drilling produced broad intercepts (up to 60 metres drilled widths) of highly anomalous PGM's from the weathered zone of this layered mafic-ultramafic. Two of the better intercepts were:

- 13 metres @ 2.82g/t Pt + Pd from 39 metres in NNA 672
- 5 metres @ 3.98g/t Pt + Pd from 33 metres in NNA 673.

Within an overall 0.1g/t PGM threshold, the anomaly was identified on 10 drill sections, extending in a north-south orientation over a 1,600m strike length and up to 300m in width, and remaining open to the south. Using a +1g/t PGM cut-off, a high grade anomaly was defined over a 300 x 50 metre zone. High grades of platinum and palladium were intersected, with individual assays ranging up to 8.34g/t palladium and 2.40g/t platinum. Strongly anomalous nickel and copper, with values reaching 1.0% nickel and 0.16% copper, lie adjacent to the PGM anomaly.

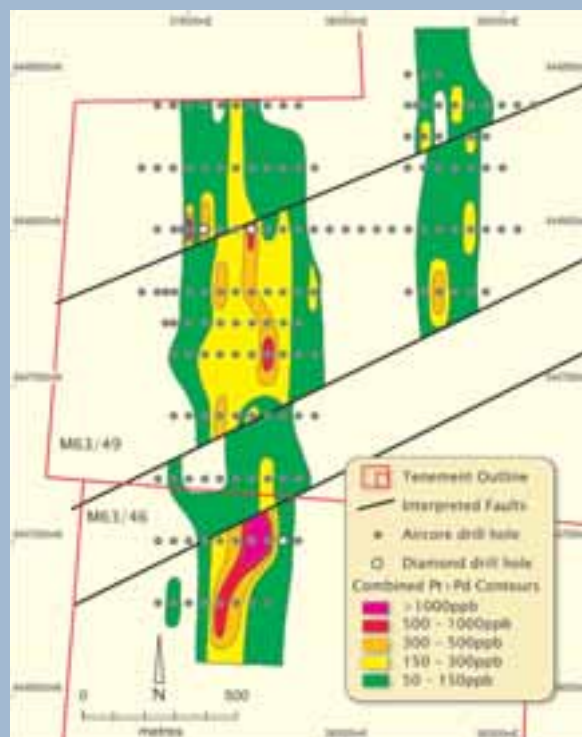
Three deep and 10 shallow diamond core holes totalling 998 metres were drilled as follow-up to the aircore drilling.



Sulphide mineralisation was successfully intersected in the primary zone, with values ranging up to 0.24% nickel, 0.14% copper and 0.58g/t PGM. Importantly, several wider zones containing elevated PGM grades were intersected, with a best intercept of:

- 22m @ 0.15g/t PGM from 146.0 in NND019.

These PGM intercepts are significant as they highlight the prospectivity of the Mission Sill to host primary platinum and palladium mineralisation. The principal targets are sulphide accumulations situated on or adjacent to the basal contact, in structural trap sites, and within feeder zones.



Norseman PGM Project Plan

Operations Review - Australia

Davyhurst

Nickel and Uranium

(Nickel Australia Ltd 100%)

Davyhurst is a major historic gold producing district located 130 kilometres north of Kalgoorlie. As with many such districts, previous exploration was entirely gold-focused, ignoring the potential for other types of mineral deposits.

Nickel Australia considers this to be a significant greenfields exploration project, with potential for ultramafic-hosted nickel sulphide mineralisation (Kambalda-style) and calcrete-hosted uranium mineralisation (Yeelirrie-style).

The discovery of primary nickel sulphide mineralisation at Martins Zone on the adjacent Riverina project, has confirmed the nickel potential of this area. The Davyhurst project area contains five north-south striking ultramafic units, including the southern extension of the unit hosting Martins Zone.



Exploration during the year included electromagnetic (EM) surveying, aircore drilling and RC drilling, with work mostly focused on the westernmost ultramafic. Results were encouraging with the identification of geochemical anomalism (nickel, copper, platinum and palladium) in association with EM conductors. Follow-up RC drilling confirmed the fertile nature of the western ultramafic, intersecting disseminated sulphides and moderately anomalous nickel grades.

Further exploration for nickel sulphide mineralisation will continue in the forthcoming year.

During the last quarter of the year, the company initiated a reconnaissance exploration program for uranium at Davyhurst. A review of the airborne radiometric survey data identified several uranium channel anomalies in the southern part of the project area. Ground inspection revealed that these anomalies are associated with outcropping granites and calcrete-hosting paleochannels draining from the granite hills. A reconnaissance rock chip, soil and calcrete sampling program was carried out over the granites and nearby channels. Geochemical analyses of these samples returned anomalous grades of uranium from both the granites and from calcrete within one of the channels. Although this was only a preliminary reconnaissance visit, the company is pleased with these initial results, and follow-up exploration for calcrete-hosted uranium in the paleochannels will continue.



Edenhope, Victoria

Nickel, Copper, Gold,
Mineral Sands

(Nickel Australia Ltd 100%)

Nickel Australia has recently been granted a 500km² Exploration Licence near Edenhope in western Victoria. The property comprises a large sand-covered area overlying highly magnetic stratigraphy.

Geoscience Victoria interprets these magnetic units to represent ultramafic and mafic rock sequences, similar to outcropping ultramafic and mafic rocks further to the south which host nickel and gold mineralisation.

Edenhope is considered to have potential for several different deposit types. These include nickel sulphide mineralisation of the Voisey's Bay (Canada) and Avebury (Tasmania) styles; northwest Tasmania type volcanic-hosted massive base metal sulphide mineralisation; and structurally-hosted and reef-hosted gold mineralisation. In addition, as the property is located in the Wimmera district, which is host to numerous very significant mineral sands deposits, there is also potential for this style of mineralisation. Initial exploration will comprise geophysical surveys and drilling.



Edenhope, Victoria Plan



Directors' Report

Your directors submit their report for the year ended 30 June 2006.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Campbell Theodore Ansell, FCA, MAICD (Chairman, audit committee member, remuneration committee member)

Campbell Ansell is a Chartered Accountant who is also a director of Universal Resources Limited and Castle Minerals Limited, as well as Chairman of De Grey Mining Limited. He is also a non executive director of several other successful business operations and has had a long term involvement with the resources sector and several government and semi government boards. Campbell has held the following former directorships in the last 3 years: Croesus Mining NL and Dragon Mining NL.

Anthony Paul Rovira, BSc Flinders University, BSc (Hons) Flinders University, MAusIMM (Managing Director)

Tony Rovira is the Managing Director of Nickel Australia Limited. He has 23 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 gold operations. Since graduating from Flinders University in South Australia in 1983, Tony has worked for companies both large and small, including BHP, Sons of Gwalia, Barrack Mines and Zapopan.

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 all Nickel Australia's activities, including exploration, project generation and acquisition, and implementation of strategies set by the board. Tony has not held any former directorships in listed companies in the last 3 years.

Michael John Fowler, BAppSc (Geol) Curtin University, MSc (Ore Deposit Geology) UWA, MAusIMM (Non Executive Director, audit committee member, chairman remuneration committee)

Michael Fowler is a geologist with 17 years industry experience. Michael graduated from Curtin University in 1988 with a Bachelor of Applied Science degree majoring in geology and in 1999 received a Master of Science majoring in Ore Deposit Geology from the University of Western Australia.

On graduating he worked as an Exploration Geologist exploring for gold and base metals for Dominion Mining in the Murchison, Gascoyne and Eastern Goldfields Regions of Western Australia. In 1996 Michael joined Croesus Mining NL and was made Exploration Manager in 1997. He oversaw all exploration for Croesus until June 2004 and was then appointed Business Development Manager and then Managing Director from October 2005 to March 2006. Michael has been responsible for the discovery and development of several significant gold deposits and has discovered over one million reserve ounces of gold during his career.

John Walter Saleeba, BCom, LLB, CPA, FAICD (Non Executive Director, chairman audit committee, remuneration committee member)

John was formerly a partner in the law firm Clayton Utz. John is a Fellow of the Australian Institute of Company Directors and currently is Chairman of Centrepoint Alliance Limited, Repcol Limited, and VDM Group Limited.

Within the last 3 years John was a former director of Skywest Limited. During his career John has also held directorships with Burtway Limited, Floreat Close Limited and a number of other companies, covering a wide range of business activities.

COMPANY SECRETARY

Dennis William Wilkins, BBus, ACIS, AICD

Dennis is an accountant who has been a director, company secretary or acted in a corporate advisory capacity to listed resource companies for over 20 years.

Dennis previously served as the Finance Director and Company Secretary for a mid tier gold producer and also spent five years working for a leading merchant bank in the United Kingdom. Resource postings to Indonesia, South Africa and New Zealand in managerial roles has broadened his international experience.

Dennis has extensive experience in capital raising specifically for the resources industry and is the principal of DWCorporate which provides advisory, funding and administrative management services to the resource sector. Dennis is a director of South Boulder Mines Limited, Marengo Mining Limited and Bonaparte Diamond Mines NL. Dennis has not held any former directorships in listed companies in the last 3 years.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Nickel Australia Limited were:

	Ordinary Shares	Options over Ordinary Shares
Campbell Theodore Ansell	408,000	1,250,000
Anthony Paul Rovira	1,800,000	5,000,000
Michael John Fowler	1,008,000	1,000,000
John Walter Saleeba	770,000	1,000,000

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

CORPORATE INFORMATION

Nature of operations and principal activities

During the year the company carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying precious and base metals.

Employees

The company employed 7 employees as at 30 June 2006 (2005: 6 employees).

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The operating loss after income tax of the company for the year ended 30 June 2006 was \$9,464,884 (2005: \$4,254,963). Included in this loss figure is \$8,274,511 (2005: \$3,576,108) of exploration expenditure written off. Refer notes to the financial statements note 1(e).

Summarised operating results are as follows:

	Revenues \$	2006 Results \$
<i>Geographic segment</i>		
Australia	339,978	(8,169,395)
Mexico	-	(1,295,489)
Revenues and loss from ordinary activities before income tax expense	339,978	(9,464,884)

Shareholder Returns

	2006	2005
Basic loss per share (cents)	(11.1)	(5.0)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.
- The company undertakes risk review meetings annually with the involvement of senior management. Identified risks are weighed with action taken to mitigate key risks.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the group during the financial year were as follows:

During the year Nickel Australia entered into a joint venture to explore a portfolio of 14 projects in the Mexican state of Sonora with Geoinformatics Exploration Inc (TSX-V: GXL). Under the terms of the agreement, Nickel Australia can earn an initial 51% interest in all projects by expending US\$4 million within four years and a further 24% (totalling a 75% interest) by carrying all further expenditure to the completion of a pre-feasibility study.

Directors' Report

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 19, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The group expects to maintain the present status and level of operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company 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 year under review.

SHARE OPTIONS

Unissued shares

At the date of this report there are 10,400,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	8,900,000
Share options issued during the year	
Exercisable at 17.5 cents, on or before 31 January 2011	500,000
Exercisable at 25 cents, on or before 31 January 2012	500,000
Exercisable at 35 cents, on or before 31 January 2013	500,000
Total options issued to 30 June 2006	1,500,000
Total number of options outstanding as at 30 June 2006 and at the date of this report	10,400,000

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
30 Nov 2008	25.0	1,780,000
30 Nov 2009	25.0	3,560,000
30 Nov 2010	25.0	3,560,000
31 Jan 2011	17.5	500,000
31 Jan 2012	25.0	500,000
31 Jan 2013	35.0	500,000
Total number of options outstanding at the date of this report		10,400,000

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.

In accordance with announcements made to the market on 1 February and 22 March 2006, a further 1.5 million incentive options are proposed to be issued to the company's Managing Director, Mr Tony Rovira. This allocation is subject to shareholder approval which will be sought at the next general meeting of the company. These options will be issued in 3 equal tranches with the following terms:

- Exercise price of \$0.175, expiring on 31 January 2011;
- Exercise price of \$0.25, issued on 1 February 2007, expiring on 31 January 2012; and
- Exercise price of \$0.35, issued on 1 February 2008, expiring on 31 January 2013.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums insuring all the directors of Nickel Australia Limited against costs incurred in defending proceedings for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid is confidential under the terms of the insurance policy. The amount has been included in the compensation amounts disclosed for key management personnel elsewhere in this report and in the notes to the financial statements.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and other key management personnel of Nickel Australia Limited (the company).

Remuneration policy

The remuneration policy of Nickel Australia Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the economic entity's financial results. The board of Nickel Australia Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

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

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using either the Black Scholes or Binomial methodologies.

The board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non executive directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$200,000). Fees for non executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

Each non-executive director is entitled to a retirement benefit in accordance with the maximum amount ascertained pursuant to section 200G(2)(b) of the Corporations Act 2001. The retirement benefit entitlement has been frozen as of 30 June 2006.

Performance based remuneration

The company currently has no performance based remuneration component built into director and executive remuneration packages.

Company performance, shareholder wealth and directors' and executives' remuneration

The company currently has no performance based remuneration component built into director and executive remuneration packages.

Employment contracts of directors and senior executives

Remuneration and other terms of employment for the following key management personnel are formalised in service agreements, the terms of which are set out below:

Anthony Rovira, Managing Director:

- Term of agreement – 5 years commencing 16 December 2003.
- Base salary, exclusive of superannuation, of \$235,000 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 – 3 months notice of termination required.
- Fixed fee, \$6,000 per month.

Directors' Report

REMUNERATION REPORT (continued)

Patrick Manouge, Exploration Manager:

- Term of agreement – no fixed term.
- Base salary, exclusive of superannuation, of \$156,000 to be reviewed annually by the remuneration committee.
- The agreement can be terminated by giving three months notice.

Mark Styles, Manager - Mexico:

- Term of agreement – 2 years commencing 1 July 2006.
- Base salary, exclusive of superannuation, of USD\$110,000 to be reviewed annually by the remuneration committee.
- The agreement can be terminated by giving three months notice.

Compensation of Key Management Personnel for the year ended 30 June 2006

	Salary & Fees	Short-Term Cash Bonus	Non Monetary	Post Employment Super -annuation	Retirement benefits	Share-based Payments Options	Total
Directors							
Campbell Theodore Ansell							
2006	50,000	-	2,894	5,400	-	9,412	67,706
2005	30,000	-	-	2,700	-	-	32,700
Anthony Paul Rovira							
2006	222,500	-	2,894	20,025	-	37,647	283,066
2005	183,333	-	-	16,500	-	-	199,833
Michael John Fowler							
2006	32,500	-	2,894	2,925	-	7,529	45,848
2005	25,000	-	-	2,250	-	-	27,250
John Walter Saleeba							
2006	32,500	-	2,894	2,925	-	7,529	45,848
2005	25,000	-	-	2,250	-	-	27,250
Executives							
Dennis Wilkins (Company Secretary)							
2006	72,000	-	-	-	-	-	72,000
2005	72,000	-	-	-	-	-	72,000
Patrick Manouge (Exploration Manager)							
2006	143,000	-	-	12,870	-	36,135	192,005
2005	120,000	-	-	10,800	-	-	130,800
Mark Styles (Manager – Mexico: appointed 1 July 2006)							
Total							
2006	562,500	-	11,576	44,145	-	98,252	716,473
2005	455,333	-	-	34,500	-	-	489,833

Retirement benefits provided for the non-executive directors in the financial statements do not form part of the above remuneration until such time as the amount is paid to the retiring director.

Compensation options granted and vested during the year ended 30 June 2006

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Nickel Australia Limited to increase goal congruence between executives, directors and shareholders. The following options were issued or vested during the year to key management personnel:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Directors								
Campbell Ansell	17/10/2003	500,000	01/12/2005	30/11/2010	25.0	9.6	N/A	12.1%
Anthony Rovira	17/10/2003	2,000,000	01/12/2005	30/11/2010	25.0	9.6	N/A	13.3%
Michael Fowler	17/10/2003	400,000	01/12/2005	30/11/2010	25.0	9.6	N/A	16.4%
John Saleeba	17/10/2003	400,000	01/12/2005	30/11/2010	25.0	9.6	N/A	16.4%
Executives								
Patrick Manouge	19/01/2004	200,000	01/12/2005	30/11/2010	25.0	14.6	N/A	3.4%
Patrick Manouge	24/03/2006	300,000	24/03/2006	31/01/2011	17.5	6.8	N/A	10.6%
Patrick Manouge	24/03/2006	300,000	01/02/2007	31/01/2012	25.0	6.6	N/A	3.3%
Patrick Manouge	24/03/2006	300,000	01/02/2008	31/01/2013	35.0	6.5	N/A	1.5%

No options have been granted as part of remuneration during the year to directors however, shareholders will be asked to consider issuing 1.5 million incentive options to Mr Rovira at the 2006 Annual General Meeting. For further details of key management personnel's interests in options granted as remuneration and at year end, refer note 22.

Performance Income as a proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year. It is the intent of the board to include performance bonuses as part of remuneration packages when mine production commences.

DIRECTORS' MEETINGS

The number of directors' meetings held (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year are:

	Directors' Meetings		Meetings of Committees			
	A	B	Audit		Remuneration	
	A	B	A	B	A	B
Number of meetings attended:						
Campbell Theodore Ansell	9	10	2	2	1	2
Anthony Paul Rovira	10	10	*	*	*	*
Michael John Fowler	10	10	1	2	2	2
John Walter Saleeba	9	10	2	2	2	2

Notes

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.

The audit committee comprises C.T. Ansell, M.J. Fowler and J.W. Saleeba with D.W. Wilkins in attendance.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 62.

NON AUDIT SERVICES

No non audit services were provided by the entity's auditor, Stantons International or associated entities and no fees were paid or are payable to Stantons International for non audit services for the year ended 30 June 2006.

Signed in accordance with a resolution of the directors.

Anthony Paul Rovira
Managing Director

Perth, 15 September 2006

Corporate Governance Statement

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 as circumstances demand. The optimum number of directors required to supervise adequately the company's constitution will be determined within the limitations imposed by the constitution.

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 2001, 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.

The board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit and Remuneration Committee) at this time. The board as a whole is able to address the governance aspects of the full scope of the company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

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.

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.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines 2004 with a view to making amendments where applicable after considering the company's size and the resources it has available.

As the company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the company's present position with regard to adoption of these principles.

ASX Principle	Status	Reference/comment
Principle 1: Lay solid foundations for management and oversight		
1.1	A	The company has adopted this recommendation to formalise and disclose the functions reserved to the board and those delegated to management
Principle 2: Structure the board to add value		
2.1	A	The Board comprises four directors, three of whom are non executive and independent.
2.2	A	
2.3	A	The positions of chairman and managing director are held by separate persons
2.4	N/A	The board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for, screening and appointing new directors. In view of the size and resources available to the company, it is not considered that a separate nomination committee would add any substance to this process.
2.5	A (in part)	The skills and experience of directors are set out in the company's annual report and on its website.
Principle 3: Promote ethical and responsible decision making		
3.1	A	The company has formulated a Code of Conduct which can be viewed on the company's website.
		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
3.2	A	The company has formulated a securities trading policy which can be viewed on its website.
3.3	A	The company has established an audit committee which comprises three non executive directors. The charter for this committee is disclosed on the company's website. Sourcing alternative or additional directors to strictly comply with this principle is considered expensive with costs outweighing potential benefits. In addition, the board as a whole addresses the governance aspects of the full scope of the company's activities to ensure that it adheres to appropriate ethical standards. All matters which might properly be dealt with by special committees are subject to regular scrutiny at full board meetings.

A = Adopted

N/A = Not adopted

Corporate Governance Statement

ASX Principle	Status	Reference/comment
Principle 4: Safeguard integrity in financial reporting		
4.1	A	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
4.2	A	The board should establish an audit committee
4.3	A (in part)	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> • Only non executive directors • A majority of independent directors • An independent chairperson who is not the chairperson of the board • At least three members
4.4	A	The audit committee should have a formal charter
4.5	A	Provide the information indicated in Guide to reporting on Principle 4
Principle 5: Make timely and balanced disclosure		
5.1	N/A	The company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	N/A	The board receives monthly reports on the status of the company's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each board meeting.
Principle 6: Respect the rights of shareholders		
6.1	A	In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the company website and the distribution of specific releases covering major transactions or events.
6.2	A	Shareholders are encouraged to exercise their right to vote, either by attending meetings, or by lodging a proxy. The company's auditors attend all shareholders' meetings.
Principle 7: Recognise and manage risk		
7.1	A	The company has formalised policies on risk management and the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors. <p>Determined areas of risk which are regularly considered include:</p> <ul style="list-style-type: none"> • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations • sovereign risk

ASX Principle	Status	Reference/comment
<p>7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:</p> <p>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</p> <p>7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects</p>	A	
7.3 Provide information indicated in Guide to Reporting on Principle 7	A	
Principle 8: Encourage enhanced Performance		
8.1 Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	A	<p>The company has a sub committee of the board to consider remuneration matters.</p> <p>The remuneration of executive and non executive directors is reviewed by the remuneration committee. The remuneration of management and employees is reviewed by the board and approved by the chairman.</p> <p>Acting in its ordinary capacity, the board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the company's securities. Whenever relevant, any such matters are reported to ASX.</p>
Principle 9: Remunerate fairly and responsibly		
9.1 Provide disclosure in relation to the company's remuneration policies and benefits to these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	A	The company discloses remuneration related information in its Annual Report to shareholders in accordance with the Corporations Act 2001. Shareholders are entitled to a non-binding vote on remuneration matters as contained in this report.
9.2 The board should establish a remuneration committee	A	
9.3 Clearly distinguish the structure of non executive directors remuneration from that of executives	A	
9.4 Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	A	
9.5 Provide information indicated in ASX Guide to Reporting on Principle 9	A	
Principle 10: Recognise legitimate interests of Stakeholders		
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	A	<p>The company's Code of Conduct is set out in the company's website.</p> <p>The board continues to review existing procedures over time to ensure adequate processes are in place.</p> <p>All directors, employees and contractors are expected to act with the utmost integrity and objectivity in their dealings with other parties, striving at all times to enhance the reputation and performance of the company.</p>

A = Adopted

N/A = Not adopted

Income Statements Year Ended 30 June 2006

	Notes	Consolidated		The Company	
		2006 \$	2005 \$	2006 \$	2005 \$
REVENUE FROM CONTINUING OPERATIONS	3	339,978	572,546	339,978	572,546
EXPENDITURE					
Depreciation expenses	4	(58,834)	(89,437)	(58,834)	(89,437)
Salaries and employee benefits expense		(1,193,166)	(803,850)	(1,193,166)	(803,850)
Exploration expenses	4	(7,386,760)	(3,107,601)	(7,386,760)	(3,107,601)
Travel and promotion expenses		(142,088)	(137,703)	(142,088)	(137,703)
Consulting expenses		(511,919)	(163,183)	(511,919)	(163,183)
Insurance expenses		(31,660)	(58,167)	(31,660)	(58,167)
Share based payment expense	27	(119,964)	(169,327)	(119,964)	(169,327)
Other expenses from ordinary activities		(360,471)	(298,241)	(360,471)	(298,241)
LOSS BEFORE INCOME TAX EXPENSE		(9,464,884)	(4,254,963)	(9,464,884)	(4,254,963)
INCOME TAX BENEFIT / (EXPENSE)	5	-	-	-	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF NICKEL AUSTRALIA LIMITED		(9,464,884)	(4,254,963)	(9,464,884)	(4,254,963)
Basic loss per share (cents per share)	20	(11.1)	(5.0)		

The above Income Statements are to be read in conjunction with the Notes to the Financial Statements.

Balance Sheets At 30 June 2006

	Notes	Consolidated		The Company	
		2006 \$	2005 \$	2006 \$	2005 \$
CURRENT ASSETS					
Cash and cash equivalents	16(b)	3,642,826	7,974,167	3,642,826	7,974,167
Trade and other receivables	7	75,411	65,578	75,411	65,578
TOTAL CURRENT ASSETS		3,718,237	8,039,745	3,718,237	8,039,745
NON CURRENT ASSETS					
Plant and equipment	8	157,991	209,442	157,991	209,442
Other financial assets	9	-	-	227	-
Mining tenements capitalised	11	-	4,355,542	-	4,355,542
TOTAL NON CURRENT ASSETS		157,991	4,564,984	158,218	4,564,984
TOTAL ASSETS		3,876,228	12,604,729	3,876,455	12,604,729
CURRENT LIABILITIES					
Trade and other payables	12	507,042	195,992	507,269	195,992
Provisions	13	359,654	54,285	359,654	54,285
TOTAL CURRENT LIABILITIES		866,696	250,277	866,923	250,277
TOTAL LIABILITIES		866,696	250,277	866,923	250,277
NET ASSETS		3,009,532	12,354,452	3,009,532	12,354,452
EQUITY					
Issued capital	14	17,952,332	17,952,332	17,952,332	17,952,332
Reserves	15(a)	404,170	284,206	404,170	284,206
Accumulated losses	15(b)	(15,346,970)	(5,882,086)	(15,346,970)	(5,882,086)
TOTAL EQUITY		3,009,532	12,354,452	3,009,532	12,354,452

The above Balance Sheets are to be read in conjunction with the Notes to the Financial Statements.

Statements of Changes in Equity Year Ended 30 June 2006

	Notes	Consolidated		The Company	
		2006 \$	2005 \$	2006 \$	2005 \$
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		12,354,452	16,440,088	12,354,452	16,440,088
LOSS FOR THE YEAR		(9,464,884)	(4,254,963)	(9,464,884)	(4,254,963)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF NICKEL AUSTRALIA LIMITED		(9,464,884)	(4,085,636)	(9,464,884)	(4,085,636)
Transactions with equity holders in their capacity as equity holders:					
Employee share options	15	119,964	169,327	119,964	169,327
		119,964	169,327	119,964	169,327
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		3,009,532	12,354,452	3,009,532	12,354,452

The above Statements of Changes in Equity are to be read in conjunction with the Notes to the Financial Statements.

Statements of Cash Flows Year Ended 30 June 2006

	Notes	Consolidated		The Company	
		2006 \$	2005 \$	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(1,061,833)	(984,818)	(1,061,833)	(984,818)
Interest received		329,921	572,546	329,921	572,546
Expenditure on mining interests		(3,572,046)	(3,594,251)	(3,572,046)	(3,594,251)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	16(a)	(4,303,958)	(4,006,523)	(4,303,958)	(4,006,523)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		(7,383)	(5,218)	(7,383)	(5,218)
Payments for deposits		(20,000)	-	(20,000)	-
Payments for tenement acquisition		-	(84,637)	-	(84,637)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(27,383)	(89,855)	(27,383)	(89,855)
CASH FLOWS FROM FINANCING ACTIVITIES					
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-	-	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(4,331,341)	(4,096,378)	(4,331,341)	(4,096,378)
Add opening cash and cash equivalents brought forward		7,974,167	12,070,545	7,974,167	12,070,545
CLOSING CASH AND CASH EQUIVALENTS					
CARRIED FORWARD	16(b)	3,642,826	7,974,167	3,642,826	7,974,167

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Nickel Australia Limited as an individual entity and the consolidated entity consisting of Nickel Australia Limited and its subsidiaries. Nickel Australia Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on Australian Stock Exchange Limited.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRSs). Compliance with AIFRSs ensures that the financial report, comprising the group's financial statements and notes and the parent entity financial statements and notes of Nickel Australia Limited, comply with IFRSs.

Except for the revised AASB 119 Employee Benefits (issued December 2005), Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Group
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-6	AASB 3: <i>Business Combinations</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-10	AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101: <i>Presentation of Financial Statements</i> , AASB 114: <i>Segment Reporting</i> , AASB 117: <i>Leases</i> , AASB 133: <i>Earnings Per Share</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 1: <i>First-time adoption of AIFRS</i>	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
New standard	AASB 7: <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

The following amendments are not applicable to the Group and therefore have no impact:

AASB Amendment	Affected Standard(s)
2005-4	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1: <i>First-time adoption of AIFRS</i>
2005-9	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 132: <i>Financial Instruments: Disclosure and Presentation</i>

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Nickel Australia Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Nickel Australia Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRSs. When preparing Nickel Australia Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRSs. The comparative figures in respect of 2005 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRSs on the group's equity and its net income are given in note 2.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Nickel Australia Limited (the parent entity) and all entities which Nickel Australia Limited controlled from time to time during the year and at balance date. A controlled entity is any entity Nickel Australia Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in note 10.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Nickel Australia Limited.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

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 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation of plant and equipment 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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(d) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Exploration and evaluation costs

Exploration and evaluation 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 reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where 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 commences.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

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 and amortised on a straight-line basis over the life of the lease term.

(g) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Foreign currency translation

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(j) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(k) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes or Binomial option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(l) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(m) Issued capital

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated as the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

(p) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(q) Interests in joint ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated income statement and balance sheet. Details of the economic entity's interests are shown in note 26.

The economic entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

(r) Critical accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes or Binomial option pricing model, using the assumptions detailed in note 27.

Exploration and evaluation costs

Exploration and evaluation 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.

These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

2. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

	Previous AGAAP \$	Consolidated Effect of transition to AIFRS \$	AIFRS \$	Previous AGAAP \$	The Company Effect of transition to AIFRS \$	AIFRS \$
Reconciliation of Equity at 1 July 2004						
CURRENT ASSETS						
Cash and cash equivalents	12,070,545	-	12,070,545	12,070,545	-	12,070,545
Trade and other receivables	88,249	-	88,249	88,249	-	88,249
TOTAL CURRENT ASSETS	12,158,794	-	12,158,794	12,158,794	-	12,158,794
NON CURRENT ASSETS						
Plant and equipment	293,661	-	293,661	293,661	-	293,661
Mining tenements capitalised	4,270,905	-	4,270,905	4,270,905	-	4,270,905
TOTAL NON CURRENT ASSETS	4,564,566	-	4,564,566	4,564,566	-	4,564,566
TOTAL ASSETS	16,723,360	-	16,723,360	16,723,360	-	16,723,360
CURRENT LIABILITIES						
Trade and other payables	267,532	-	267,532	267,532	-	267,532
Provisions	15,740	-	15,740	15,740	-	15,740
TOTAL CURRENT LIABILITIES	283,272	-	283,272	283,272	-	283,272
TOTAL LIABILITIES	283,272	-	283,272	283,272	-	283,272
NET ASSETS	16,440,088	-	16,440,088	16,440,088	-	16,440,088
EQUITY						
Issued capital	17,952,332	-	17,952,332	17,952,332	-	17,952,332
Reserves	-	114,879	114,879	-	114,879	114,879
Accumulated losses	(1,512,244)	(114,879)	(1,627,123)	(1,512,244)	(114,879)	(1,627,123)
TOTAL EQUITY	16,440,088	-	16,440,088	16,440,088	-	16,440,088

Under AASB2 (Share Based Payments), the company has recognised the fair value of options granted to employees as remuneration as an expense on a pro rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share based payment costs were not recognised under AGAAP.

Notes to the Financial Statements 30 June 2006

2. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

	Previous AGAAP \$	Consolidated Effect of transition to AIFRS \$	AIFRS \$	Previous AGAAP \$	The Company Effect of transition to AIFRS \$	AIFRS \$
Reconciliation of Equity at 30 June 2005						
CURRENT ASSETS						
Cash and cash equivalents	7,974,167	-	7,974,167	7,974,167	-	7,974,167
Trade and other receivables	65,578	-	65,578	65,578	-	65,578
TOTAL CURRENT ASSETS	8,039,745	-	8,039,745	8,039,745	-	8,039,745
NON CURRENT ASSETS						
Plant and equipment	209,442	-	209,442	209,442	-	209,442
Mining tenements capitalised	4,355,542	-	4,355,542	4,355,542	-	4,355,542
TOTAL NON CURRENT ASSETS	4,564,984	-	4,564,984	4,564,984	-	4,564,984
TOTAL ASSETS	12,604,729	-	12,604,729	12,604,729	-	12,604,729
CURRENT LIABILITIES						
Trade and other payables	195,992	-	195,992	195,992	-	195,992
Provisions	54,285	-	54,285	54,285	-	54,285
TOTAL CURRENT LIABILITIES	250,277	-	250,277	250,277	-	250,277
TOTAL LIABILITIES	250,277	-	250,277	250,277	-	250,277
NET ASSETS	12,354,452	-	12,354,452	12,354,452	-	12,354,452
EQUITY						
Issued capital	17,952,332	-	17,952,332	17,952,332	-	17,952,332
Reserves	-	284,206	284,206	-	284,206	284,206
Accumulated losses	(5,597,880)	(284,206)	(5,882,086)	(5,597,880)	(284,206)	(5,882,086)
TOTAL EQUITY	12,354,452	-	12,354,452	12,354,452	-	12,354,452

Under AASB2 (Share Based Payments), the company has recognised the fair value of options granted to employees as remuneration as an expense on a pro rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share based payment costs were not recognised under AGAAP.

	Previous AGAAP \$	Consolidated Effect of transition to AIFRS \$	AIFRS \$	Previous AGAAP \$	The Company Effect of transition to AIFRS \$	AIFRS \$
Reconciliation of Profit or Loss for year ended 30 June 2005						
REVENUE FROM ORDINARY ACTIVITIES	572,546	-	572,546	572,546	-	572,546
EXPENDITURE FROM ORDINARY ACTIVITIES						
Depreciation expenses	(89,437)	-	(89,437)	(89,437)	-	(89,437)
Salaries and employee benefits expense	(335,343)	-	(335,343)	(335,343)	-	(335,343)
Exploration expenses	(3,576,108)	-	(3,576,108)	(3,576,108)	-	(3,576,108)
Travel and promotion expenses	(137,703)	-	(137,703)	(137,703)	-	(137,703)
Consulting expenses	(163,183)	-	(163,183)	(163,183)	-	(163,183)
Insurance expenses	(58,167)	-	(58,167)	(58,167)	-	(58,167)
Share based payment expense	-	(169,327)	(169,327)	-	(169,327)	(169,327)
Other expenses from ordinary activities	(298,241)	-	(298,241)	(298,241)	-	(298,241)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX	(4,085,636)	(169,327)	(4,254,963)	(4,085,636)	(169,327)	(4,254,963)
INCOME TAX BENEFIT / (EXPENSE) RELATING TO ORDINARY ACTIVITIES	-	-	-	-	-	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF NICKEL AUSTRALIA LIMITED	(4,085,636)	(169,327)	(4,254,963)	(4,085,636)	(169,327)	(4,254,963)

Under AASB2 (Share Based Payments), the company has recognised the fair value of options granted to employees as remuneration as an expense on a pro rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share based payment costs were not recognised under AGAAP.

No material impacts have occurred to the Cash Flows presented under AGAAP on adoption of AIFRS.

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
3. REVENUE FROM CONTINUING OPERATIONS				
Revenues from non operating activities				
Interest				
Bank interest	339,978	572,546	339,978	572,546
Total revenues from continuing operations	339,978	572,546	339,978	572,546

4. EXPENSES AND LOSSES/(GAINS)

(a) Expenses

Depreciation of plant and equipment	58,834	89,437	58,834	89,437
Exploration expenditure	7,386,760	3,107,601	7,386,760	3,107,601

Notes to the Financial Statements 30 June 2006

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
5. INCOME TAX				
(a) Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Under (over) provided in prior years	-	-	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from ordinary activities before income tax expense	(9,464,884)	(4,254,963)	(9,464,884)	(4,254,963)
Prima facie tax benefit on loss from ordinary activities at 30% (2005: 30%)	(2,839,465)	(1,276,489)	(2,839,465)	(1,276,489)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	35,989	50,798	35,989	50,798
Tenement acquisition costs	123,997	-	123,997	-
Sundry items	3,159	4,654	3,159	4,654
	(2,676,320)	(1,221,037)	(2,676,320)	(1,221,037)
Movement in unrecognised temporary differences	1,324,866	1,119,468	1,324,866	1,119,468
Tax effect of current year tax losses for which no deferred tax asset has been recognised	1,351,454	101,569	1,351,454	101,569
Income tax expense	-	-	-	-
(c) Unrecognised temporary differences				
Deferred Tax Assets (at 30%)				
<i>On Income Tax Account</i>				
Capital raising costs	101,719	152,580	101,719	152,580
Prepayments	6,743	8,155	6,743	8,155
Depreciation of plant and equipment	16,501	16,697	16,501	16,697
Provisions	107,896	16,286	107,896	16,286
Other	5,947	26,885	5,947	26,885
Carry forward tax losses	2,821,186	1,469,732	2,821,186	1,469,732
	3,059,992	1,690,335	3,059,992	1,690,335
Deferred Tax Liabilities (at 30%)	-	-	-	-

6. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
7. TRADE AND OTHER RECEIVABLES (CURRENT)				
Prepayments	22,476	-	22,476	-
Sundry receivables	32,259	2,306	32,259	2,306
Goods and Services Tax receivable	20,676	63,272	20,676	63,272
	75,411	65,578	75,411	65,578

	Notes	Consolidated		The Company	
		2006 \$	2005 \$	2006 \$	2005 \$
8. PLANT AND EQUIPMENT					
Plant and equipment					
At cost		371,887	364,504	371,887	364,504
Accumulated depreciation		(213,896)	(155,062)	(213,896)	(155,062)
	8(a)	157,991	209,442	157,991	209,442

(a) Reconciliations

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

Plant and equipment

Carrying amount at beginning		209,442	293,661	209,442	293,661
Additions		7,383	5,218	7,383	5,218
Depreciation expense		(58,834)	(89,437)	(58,834)	(89,437)
Carrying amount at end		157,991	209,442	157,991	209,442

9. OTHER FINANCIAL ASSETS (NON CURRENT)

Shares in subsidiaries – at cost	10	-	-	227	-
		-	-	227	-

10. INTERESTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of incorporation	Class of shares	Equity Holding*	
			2006 %	2005 %
Azure Mexico Pty Ltd	Australia	Ordinary	100	-
Minera Piedra Azul, S.A. De C.V	Mexico	Ordinary	100	-

*Percentage of voting power is in proportion to ownership

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$

11. MINING TENEMENTS CAPITALISED

Tenement acquisition costs	-	4,355,542	-	4,355,542
	-	4,355,542	-	4,355,542

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$

12. TRADE AND OTHER PAYABLES (CURRENT)

Trade payables	340,933	51,735	340,933	51,735
Other payables and accruals	166,109	144,257	166,336	144,257
	507,042	195,992	507,269	195,992

Notes to the Financial Statements 30 June 2006

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
13. PROVISIONS (CURRENT)				
Employee benefits	87,154	54,285	87,154	54,285
Non-executive directors retirement benefits	272,500	-	272,500	-
	359,654	54,285	359,654	54,285

14. ISSUED CAPITAL

(a) Issued and paid up capital

	2006		2005	
	Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	85,000,004	17,952,332	85,000,004	17,952,332
	85,000,004	17,952,332	85,000,004	17,952,332

(b) Movements in shares on issue

Beginning of the financial year	85,000,004	17,952,332	85,000,004	17,952,332
End of the financial year	85,000,004	17,952,332	85,000,004	17,952,332

(c) Movements in options on issue

	Number of options	
	2006	2005
Beginning of the financial year	8,900,000	8,900,000
Issued during the year		
– Exercisable at 17.5 cents, on or before 31 Jan 2011	500,000	-
– Exercisable at 25 cents, on or before 31 Jan 2012	500,000	-
– Exercisable at 35 cents, on or before 31 Jan 2013	500,000	-
End of the financial year	10,400,000	8,900,000

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$

15. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

Share-based payments reserve	404,170	284,206	404,170	284,206
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Movements:

Share-based payments reserve

Balance at beginning of year	284,206	114,879	284,206	114,879
Option expense	119,964	169,327	119,964	169,327
Balance at end of year	404,170	284,206	404,170	284,206

(b) Accumulated losses

Balance at beginning of year	(5,882,086)	(1,627,123)	(5,882,086)	(1,627,123)
Net loss attributable to members of Nickel Australia Limited	(9,464,884)	(4,254,963)	(9,464,884)	(4,254,963)
Balance at end of year	(15,346,970)	(5,882,086)	(15,346,970)	(5,882,086)

(c) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$

16. STATEMENT OF CASH FLOWS

(a) Reconciliation of the net loss after income tax to the net cash flows from operating activities

Net loss	(9,464,884)	(4,254,963)	(9,464,884)	(4,254,963)
Non Cash Items				
Depreciation of non current assets	58,834	89,437	58,834	89,437
Share based payment expense	119,964	169,327	119,964	169,327
Changes in operating assets and liabilities				
(Increase)/decrease in trade and other receivables	10,167	22,584	10,167	22,584
(Increase)/decrease in mining tenements capitalised	4,355,542	-	4,355,542	-
Increase/(decrease) in trade and other payables	311,050	(71,453)	311,050	(71,453)
Increase in provisions	305,369	38,545	305,369	38,545
Net cash outflow from operating activities	(4,303,958)	(4,006,523)	(4,303,958)	(4,006,523)

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents comprises:

– cash at bank and in hand	(60,812)	54,328	(60,812)	54,328
– short-term deposits	3,703,638	7,919,839	3,703,638	7,919,839
Closing cash and cash equivalents balance	3,642,826	7,974,167	3,642,826	7,974,167

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(c) Non-cash financing and investing activities

Options issued to employees and consultants for no consideration or as settlement for expenses are shown in note 27.

The investment amounts in subsidiaries of \$100 for Azure Mexico Pty Ltd and \$127 for Minera Piedra Azul, S.A. De C.V have not been paid and are included as other payables in the accounts of the parent entity.

17. EXPENDITURE COMMITMENTS

(a) 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:

not later than one year	914,790	2,050,514	914,790	2,050,514
later than one year and not later than five years	-	7,176,799	-	7,176,799
	914,790	9,227,313	914,790	9,227,313

(b) Lease expenditure commitments

Operating leases (non cancellable):

Minimum lease payments

– not later than one year	31,343	62,614	31,343	62,614
– later than one year and not later than five years	-	31,307	-	31,307
Aggregate lease expenditure contracted for at reporting date	31,343	93,921	31,343	93,921

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the three-year term for an additional term of three years. The lease allows for subletting of all lease areas.

17. EXPENDITURE COMMITMENTS (continued)

(c) Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in note 22(b) that are not recognised as liabilities and are not included in the key management personnel compensation.

not later than one year	385,711	220,000	385,711	220,000
later than one year and not later than five years	493,419	550,000	493,419	550,000
	879,130	770,000	879,130	770,000

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities or contingent assets of the company at balance date.

19. SUBSEQUENT EVENTS

During August 2006 the company completed a placement of 12,750,000 ordinary shares at an issue price of 10 cents per share to raise \$1,275,000 (before expenses of the issue) to professional and sophisticated investors. These additional funds will be used to continue the group's intensive exploration program in Mexico.

The financial effects of the above transaction have not been brought to account at 30 June 2006.

	Consolidated	
	2006	2005
	\$	\$

20. LOSS PER SHARE

(a) Reconciliation of earnings to profit or loss

Net loss	(9,464,884)	(4,254,963)
Loss used in calculating basic loss per share	(9,464,884)	(4,254,963)

	Number of shares	Number of shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share		
Weighted average number of ordinary shares used in calculating basic loss per share	85,000,004	85,000,004

(c) Effect of dilutive securities

Options on issue at balance date could potentially dilute basic earnings per share in the future. The effect in the current year is to decrease the loss per share hence they are considered antidilutive. Accordingly diluted loss per share has not been disclosed.

21. AUDITORS' REMUNERATION

Amounts received or due and receivable by Stantons International or associated entities for:

– an audit or review of the financial report of the entity	13,336	13,950	13,336	13,950
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22. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

(i) Directors

The following persons were directors of Nickel Australia Limited during the financial year:

Campbell Theodore Ansell	Chairman
Anthony Paul Rovira	Managing Director
Michael John Fowler	Non Executive Director
John Walter Saleeba	Non Executive Director

(ii) Executives

Dennis Wilkins	Company Secretary
Patrick Manouge	Exploration Manager
Mark Styles	Manager – Mexico

Appointed 1 July 2006

(b) Remuneration policy of key management personnel

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.

Each non-executive director is entitled to a retirement benefit in accordance with the maximum amount ascertained pursuant to section 200G(2)(b) of the Corporations Act 2001. The retirement benefit entitlement has been frozen as of 30 June 2006.

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 J Fowler and John W Saleeba are remunerated by way of directors' fees.

Service Agreements

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 \$235,000 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 – 3 months notice of termination required.
- Fixed fee, \$6,000 per month.

Patrick Manouge, Exploration Manager:

- Term of agreement – no fixed term.
- Base salary, exclusive of superannuation, of \$156,000 to be reviewed annually by the remuneration committee.
- The agreement can be terminated by giving three months notice.

Mark Styles, Manager - Mexico:

- Term of agreement – 2 years commencing 1 July 2006.
- Base salary, exclusive of superannuation, of USD\$110,000 to be reviewed annually by the remuneration committee.
- The agreement can be terminated by giving three months notice.

(c) Compensation of key management personnel by category

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Short-term	574,076	455,333	574,076	455,333
Post employment	44,145	34,500	44,145	34,500
Other long-term	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	98,252	-	98,252	-
	716,473	489,833	716,473	489,833

Notes to the Financial Statements 30 June 2006

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Compensation of key management personnel by individual

	Salary & Fees	Short-Term Cash Bonus	Non Monetary	Super-annuation	Post Employment Retirement benefits	Share-based Payments Options	Total
Directors							
Campbell Theodore Ansell							
2006	50,000	-	2,894	5,400	-	9,412	67,706
2005	30,000	-	-	2,700	-	-	32,700
Anthony Paul Rovira							
2006	222,500	-	2,894	20,025	-	37,647	283,066
2005	183,333	-	-	16,500	-	-	199,833
Michael John Fowler							
2006	32,500	-	2,894	2,925	-	7,529	45,848
2005	25,000	-	-	2,250	-	-	27,250
John Walter Saleeba							
2006	32,500	-	2,894	2,925	-	7,529	45,848
2005	25,000	-	-	2,250	-	-	27,250
Executives							
Dennis Wilkins							
2006	72,000	-	-	-	-	-	72,000
2005	72,000	-	-	-	-	-	72,000
Patrick Manouge							
2006	143,000	-	-	12,870	-	36,135	192,005
2005	120,000	-	-	10,800	-	-	130,800
Mark Styles (appointed 1 July 2006)							
Total							
2006	562,500	-	11,576	44,145	-	98,252	716,473
2005	455,333	-	-	34,500	-	-	489,833

Retirement benefits provided for the non-executive directors in the financial statements do not form part of the above remuneration until such time as the amount is paid to the retiring director.

(e) Compensation options: Granted and vested during the year

Compensation options issued in 2006 and vesting during the year are shown below. Compensation options issued in 2004 and vesting during the year are also shown below.

	Vested Number	Granted Number	Terms & Conditions for Each Grant					% of Remuneration
			Grant Date	Value per option at grant date (cents)	Exercise Price per share (cents)	First Exercise Date	Last Exercise Date	
Directors								
Campbell Theodore Ansell	500,000	-	17 Oct 2003	9.6	25.0	1 Dec 2005	30 Nov 2010	12.1%
Anthony Paul Rovira	2,000,000	-	17 Oct 2003	9.6	25.0	1 Dec 2005	30 Nov 2010	13.3%
Michael John Fowler	400,000	-	17 Oct 2003	9.6	25.0	1 Dec 2005	30 Nov 2010	16.4%
John Walter Saleeba	400,000	-	17 Oct 2003	9.6	25.0	1 Dec 2005	30 Nov 2010	16.4%
Executives								
Patrick Manouge	200,000	-	19 Jan 2004	14.6	25.0	1 Dec 2005	30 Nov 2010	3.4%
Patrick Manouge	300,000	300,000	24 Mar 2006	6.8	17.5	24 Mar 2006	31 Jan 2011	10.6%
Patrick Manouge	-	300,000	24 Mar 2006	6.6	25.0	1 Feb 2007	31 Jan 2012	3.3%
Patrick Manouge	-	300,000	24 Mar 2006	6.5	35.0	1 Feb 2008	31 Jan 2013	1.5%
Total	3,800,000	900,000						

(f) Shares issued on exercise of compensation options

There were no shares issued on exercise of compensation options during the year.

(g) Option holdings of key management personnel

	Balance at beginning of year 1 July 2005		Granted	Options Exercised	Net Change Other	Balance at end of year 30 June 2006		Vested at 30 June 2006	
	Ord	Pref				Total	Not exercisable	Exercisable	
Directors									
Campbell Theodore Ansell	1,250,000	-	-	-	-	1,250,000	1,250,000	-	1,250,000
Anthony Paul Rovira	5,000,000	-	-	-	-	5,000,000	5,000,000	-	5,000,000
Michael John Fowler	1,000,000	-	-	-	-	1,000,000	1,000,000	-	1,000,000
John Walter Saleeba	1,000,000	-	-	-	-	1,000,000	1,000,000	-	1,000,000
Executives									
Dennis Wilkins	-	-	-	-	-	-	-	-	-
Patrick Manouge	500,000	-	900,000	-	-	1,400,000	1,400,000	600,000	800,000
Total	8,750,000	-	900,000	-	-	9,650,000	9,650,000	600,000	9,050,000

(h) Shareholdings of key management personnel

	Balance 1 July 2005		Granted		On Exercise of Options		Net Change Other		Balance 30 June 2006	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Directors										
Campbell T Ansell	408,000	-	-	-	-	-	-	-	408,000	-
Anthony Paul Rovira	1,200,000	-	-	-	-	-	600,000	-	1,800,000	-
Michael John Fowler	1,008,000	-	-	-	-	-	-	-	1,008,000	-
John Walter Saleeba	270,000	-	-	-	-	-	500,000	-	770,000	-
Executives										
Dennis Wilkins	500,000	-	-	-	-	-	-	-	500,000	-
Patrick Manouge	10,000	-	-	-	-	-	-	-	10,000	-
Total	3,396,000	-	-	-	-	-	1,100,000	-	4,496,000	-

(i) Loans to key management personnel

There were no loans to key management personnel during the year.

(j) Other transactions and balances with key management personnel

Services

DWCorporate, a business of which Mr Wilkins is principal, provided company secretarial and other corporate services to Nickel Australia Limited during the year. The amounts paid were at arms length and are disclosed at note 22(b), (c) and (d) above.

23. RELATED PARTY DISCLOSURES

(a) Parent entity

The ultimate parent entity within the Group is Nickel Australia Limited.

(b) Wholly owned group transactions

Loans

Nickel Australia Limited has been provided with unsecured, interest free loans by its wholly owned subsidiaries, Azure Mexico Pty Ltd totalling \$100 and Minera Piedra Azul, S.A. De C.V totalling \$127, at balance date. There were no repayments made during the year.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

Notes to the Financial Statements 30 June 2006

24. SEGMENT INFORMATION

Segment products and locations

The consolidated entity's operations are in the mining industry. Geographically, the group operates in two predominant segments, being Australia and Mexico. The head office and investment activities of the group take place in Australia.

Geographic segments	Australia		Mexico		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Sales to customers outside the consolidated entity	-	-	-	-	-	-	-	-
Other revenues from customers outside the consolidated entity	339,978	572,546	-	-	-	-	339,978	572,546
Intersegment revenues	-	-	-	-	-	-	-	-
Share of net profit of equity accounted investments	-	-	-	-	-	-	-	-
Total segment revenue	339,978	572,546	-	-	-	-	339,978	572,546
Non segment revenues								
Unallocated revenue							-	-
Total consolidated revenue							339,978	572,546
Results								
Segment result	(8,169,395)	(4,254,963)	(1,295,489)	-	-	-	(9,464,884)	(4,254,963)
Non segment expenses								
Unallocated expenses							-	-
Consolidated entity loss before income tax expense							(9,464,884)	(4,254,963)
Income tax expense							-	-
Consolidated entity loss after income tax expense							(9,464,884)	(4,254,963)
Assets								
Segment assets	3,876,455	12,604,729	-	-	(227)	-	3,876,228	12,604,729
Unallocated assets							-	-
Total assets							3,876,228	12,604,729
Liabilities								
Segment liabilities	866,923	250,277	-	-	(227)	-		
Non-allocated liabilities							-	-
Total liabilities							866,696	250,277
Other segment information:								
Equity accounted investments included in segment assets	-	-	-	-	-	-	-	-
Acquisition of property, plant and equipment, intangible assets and other non current assets	7,383	5,218	-	-	-	-	7,383	5,218
Depreciation	58,834	89,437	-	-	-	-	58,834	89,437
Non cash expenses other than depreciation and amortisation	392,464	169,327	-	-	-	-	392,464	169,327

25. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

25(a) Interest rate risk

The Group is exposed to movements in market interest rates on short-term deposits. Group policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

The Groups exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:				Non interest bearing	Total carrying amount as per the statement of financial position		Weighted average effective interest rate		
	2006	2005	1 year or less		More than 5 years			2006	2005	2006	2005	
			2006	2005	2006	2005						
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	
<i>(i) Financial assets</i>												
Cash	(61,012)	7,973,683	3,703,638	-	-	-	200	484	3,642,826	7,974,167	6.0	5.7
Trade and other receivables	-	-	-	-	-	-	55,411	65,578	55,411	65,578	-	-
Total financial assets	(61,012)	7,973,683	3,703,638	-	-	-	55,411	65,578	3,698,237	8,039,745		
<i>(ii) Financial liabilities</i>												
Trade creditors	-	-	-	-	-	-	(340,933)	(51,735)	(340,933)	(51,735)	-	-
Other creditors and accruals	-	-	-	-	-	-	(166,109)	(144,257)	(166,109)	(144,257)	-	-
Total financial liabilities	-	-	-	-	-	-	(507,042)	(195,992)	(507,042)	(195,992)		

25(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at amounts approximating their carrying value.

25(c) Credit risk exposures

The Group has no significant concentrations of 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 balance sheet and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

25(d) Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from exploration commitments in currencies other than the group's measurement currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the Mexican Peso and United States Dollar.

The Group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements, and retains the right to withdraw from the foreign exploration commitments after the minimum expenditure targets have been met.

26. JOINT VENTURE

The company has interests in the following joint ventures:

Joint Venture	Activities	Interest	Carrying Value \$
(a) Bounty	Nickel/Base Metals	Earning 80%	NIL
(b) Killaloe	Nickel/Base Metals	Earning 70%	NIL
(c) Sonora, Mexico	Gold/Copper	Earning 75%	NIL

(a) The company has entered into a joint venture agreement with private company Montague Resources Pty Ltd on the Bounty Project in the Forrestania Greenstone Belt of Western Australia. Under the agreement signed in May 2004, Nickel Australia can earn a 70% interest in all metals (except gold and silver) by sole funding exploration through to completion of a Bankable Feasibility Study (BFS) by June 2014. Nickel Australia has a further option to increase its interest by 10%, to a total of 80%, by paying to Montague the sum of \$4 million following the completion of the BFS.

(b) The company has entered into a joint venture agreement with Cullen Resources Limited to explore for and mine nickel and other metals on the Killaloe Project in the Lake Cowan region of Western Australia. Under the agreement signed in October 2004, Nickel Australia can earn a 70% interest in nickel minerals by expending \$1.5 million within 4 years.

(c) Nickel Australia is exploring a portfolio of 14 projects in the Mexican state of Sonora in joint venture with Geoinformatics Exploration Inc (TSX-V: GXL). Under the terms of the agreement, Nickel Australia can earn an initial 51% interest in all projects by expending US\$4 million within four years and a further 24% (totalling a 75% interest) by carrying all further expenditure to the completion of a pre-feasibility study.

27. SHARE-BASED PAYMENTS

Employees and Consultants Option Plan

The Group provides benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. The exercise price of the options granted range from 17.5 cents to 35 cents per option. The options granted to employees have varying exercise and vestment dates. All vested options have exercise dates ranging from 30 November 2008 to 31 January 2011. There are 500,000 options with a vesting date of 1 February 2007 and an exercise date of 31 January 2012, and 500,000 options with a vesting date of 1 February 2008 and an exercise date of 31 January 2013.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the company with full dividend and voting rights.

Set out below are summaries of the options granted:

	Consolidated and The Company			
	2006		2005	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	8,900,000	25.0	8,900,000	25.0
Granted	1,500,000	25.8	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	10,400,000	25.1	8,900,000	25.0
Exercisable at year-end	9,400,000	24.6	5,100,000	25.0

The weighted average remaining contractual life of share options outstanding at the end of the period was 4.76 years (2005: 4.62 years), and the exercise prices range from 17.5 cents to 35 cents.

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was 6.6 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

Weighted average exercise price (cents)	25.8
Weighted average life of the option (years)	5.58
Weighted average underlying share price (cents)	12.5
Expected share price volatility	70%
Risk free interest rate	5.50%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Options issued to employees	119,964	169,327	119,964	169,327

28. BUSINESS COMBINATION

Azure Mexico Pty Ltd was incorporated in Western Australia on 8 August 2005 with Nickel Australia Limited being the sole shareholder. Minera Piedra Azul, S.A. De C.V was incorporated in Mexico on 12 January 2006 with Azure Mexico Pty Ltd (98%) and Nickel Australia Limited (2%) being the sole shareholders. This company has been dormant from the time of incorporation.

Directors' Declaration

In accordance with a resolution of the directors of Nickel Australia Limited, I state that:

- (1) In the opinion of the directors:
 - (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2006.

On behalf of the board

Anthony Paul Rovira
Managing Director

Perth, 15 September 2006

Independent Audit Report to the Members of Nickel Australia Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Nickel Australia Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

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 and the consolidated entity, and that complies with Accounting Standards in Australia, 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 of the financial report in order to express an opinion on it 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 in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit 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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the 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 financial position of Nickel Australia Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Stantons International
Level 1, 1 Havelock Street
WEST PERTH WA 6005

J P Van Dieren
Partner

Perth

Date: 21 September 2006

Independent Audit Letter

15 September 2006

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

Dear Directors

RE: NICKEL AUSTRALIA LIMITED

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 Limited.

As Audit Director for the audit of the financial statements of Nickel Australia Limited for the year ended 30 June 2006, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

John Van Dieren
Director

ASX Additional Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 15 September 2006.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	Ordinary shares	
	Number of holders	Number of shares
1 - 1,000	48	72,008
1,001 - 5,000	98	415,310
5,001 - 10,000	943	8,712,427
10,001 - 100,000	654	25,717,010
100,001 and over	142	62,833,249
	1,885	97,750,004
The number of shareholders holding less than a marketable parcel of shares are:	105	282,318

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 Yandal Investments Pty Ltd	10,845,000	11.09
2 Chemco Super Fund	3,327,000	3.40
3 ANZ Nominees Limited	1,980,111	2.03
4 Richards Nicholas Charles	1,801,322	1.84
5 Rovira Geoservices Pty Ltd	1,600,000	1.64
6 Toltec Holdings Pty Ltd	1,500,000	1.53
7 Wiechecki Henry	1,380,000	1.41
8 Nefco Nominees Pty Ltd	1,345,000	1.38
9 Topsfield Pty Ltd	1,214,366	1.24
10 Fowler Michael	1,008,000	1.03
11 Delaney Sean	1,000,000	1.02
12 Holmes Michael	1,000,000	1.02
13 Goldfields Cottages Pty Ltd	950,000	0.97
14 Thompson David Ernest	900,000	0.92
15 Jindabyne Pty Ltd	670,000	0.69
16 Wersman Nominees Pty Ltd	650,000	0.66
17 Future Super Pty Ltd	650,000	0.66
18 James Richard Eric	615,000	0.63
19 Hillyard Simon	600,000	0.61
20 Verido Holdings Pty Ltd	600,000	0.61
	33,635,799	34.38

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
Yandal Investments Pty Ltd	10,845,000

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

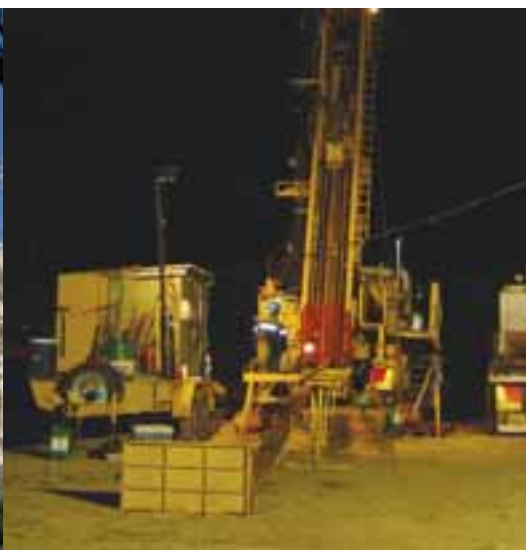
ASX Additional Information

(e) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning	Location	Tenement	Percentage held / earning
Norseman	M63/46	100	Davyhurst	E30/80	100
Norseman	M63/49	100	Davyhurst	E30/161	100
Norseman	M63/324 (P)	100	Davyhurst	P30/928	100
Norseman	M63/353 (P)	100	Davyhurst	E30/160 (P)	100
Norseman	M63/384 (P)	100	Davyhurst	E30/162 (P)	100
Norseman	M63/382 (P)	100	Davyhurst	E30/261	100
Norseman	M63/383 (P)	100	Davyhurst	M30/122	100
Norseman	M63/542 (P)	100	Davyhurst	M30/123	100
Norseman	M63/127	100	Davyhurst	M30/160 (P)	100
Norseman	M63/128	100	Davyhurst	M30/161 (P)	100
Norseman	M63/88	100	Davyhurst	M30/175 (P)	100
Norseman	M63/287 (P)	100	Splinter	E63/853	100
Norseman	M63/288 (P)	100	Splinter	E63/868	100
Norseman	M63/289 (P)	100	Splinter	E63/869	100
Norseman	M63/314 (P)	100	Splinter	E63/870	100
Norseman	M63/342 (P)	100	Bounty	M77/1065	80
Norseman	M63/343 (P)	100	Bounty	M77/1066	80
Norseman	M63/344 (P)	100	Bounty	M77/1067	80
Norseman	M63/345 (P)	100	Bounty	M77/1068	80
Norseman	M63/285 (P)	100	Bounty	M77/1080	80
Norseman	M63/313 (P)	100	Bounty	G77/110	80
Norseman	M63/337 (P)	100	Bounty	G77/109	80
Eden Hope	EL4882	100	Bounty	L77/194	80
Killaloe	P63/1132	100	Bounty	L77/193	80
Killaloe	M63/590 (P)	70	Mexico	224717	75
Killaloe	P63/1131	70	Mexico	224718	75
Killaloe	M63/589 (P)	70	Mexico	224719	75
Killaloe	P63/1133	70	Mexico	225625	75
Killaloe	M63/591 (P)	70	Mexico	211119	75
Killaloe	E63/722	70	Mexico	220663	75
Killaloe	M63/573 (P)	70	Mexico	224783	75
Killaloe	M63/574 (P)	70	Mexico	218061	75
Killaloe	M63/575 (P)	70	Mexico	218063	75
Killaloe	M63/576 (P)	70	Mexico	218064	75
Killaloe	M63/603 (P)	70	Mexico	225314	75
Killaloe	M63/604 (P)	70	Mexico	222873	75
Killaloe	E63/765	70	Mexico	225057	75
Killaloe	M63/584 (P)	70	Mexico	225058	75
Killaloe	M63/585 (P)	70	Mexico	219481	75
Killaloe	P63/1172	70	Mexico	219482	75
Killaloe	M63/586 (P)	70	Mexico	220716	75
Killaloe	P63/1173	70	Mexico	225315	75
Killaloe	M63/587 (P)	70	Mexico	225402	75
Killaloe	P63/1174	70	Mexico	225390	75
Killaloe	M63/588 (P)	70	Mexico	223191	75

The information in this report that relates to Exploration Results is based on information compiled by Mr Tony Rovira, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Rovira is a full-time employee of Nickel Australia Ltd. Mr Rovira has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Rovira consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.





2006 Annual Report



Nickel Australia Limited

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