



Nickel Australia Limited

ABN 46 106 346 918

29 September 2006

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

Dear Sir

RE: DRILLING RESULTS FROM CARDELEÑA

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

Yours faithfully,

Tony Rovira
Managing Director

Encl.



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ANNOUNCEMENT

29 September 2006

DRILLING RESULTS - CARDELEÑA

HIGHLIGHTS

- Gold and silver intercepts returned from diamond drilling at Cardeleña.
- Better results include:
 - **5.0 metres @ 1.02g/t Au & 5g/t Ag from 22.7 metres, and**
 - **5.1 metres @ 1.73g/t Au & 15g/t Ag from 36 metres within 21.8 metres @ 0.82g/t Au & 7g/t Ag from 21.5 metres in CAR-DD-01.**
 - **5.7 metres @ 0.75g/t Au & 29g/t Ag from 31.8 metres within: 31.1 metres @ 0.33g/t Au & 11g/t Ag from 28.0 metres, and**
 - **4.5 metres @ 1.01g/t Au & 9g/t Ag from 84.6 metres within 33.0 metres @ 0.29g/t Au & 7g/t Ag from 65.1 metres in CAR-DD-03.**
- Further exploration will continue to evaluate the potential for open-pittable gold and silver resources.

PREAMBLE

Nickel Australia Limited (ASX: **NKL**) is pleased to provide an exploration update and results from the first phase of diamond core drilling at its Cardeleña Project in Sonora, Mexico.

This diamond drilling followed-up previously announced Reverse Circulation (RC) drilling, which intersected wide zones of gold and silver mineralisation, including:

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

Visually, significant widths of alteration, brecciation and quartz veining were observed in the drill core. Analytical results have now been received from two of the three diamond holes, confirming the presence of gold and silver mineralisation. Assays are still awaited from CAR-DD-02.

The results from Cardeleña continue to be encouraging. They confirm the presence of gold and silver mineralisation commencing at surface and extending to significant depths, and show the potential of this project to host open-pittable gold and silver mineralisation.

DETAILS

This initial diamond core drill program at Cardeleña comprised three holes for 423.7 metres. Better intercepts are tabled below, and drill hole details are tabled towards the end of this report.

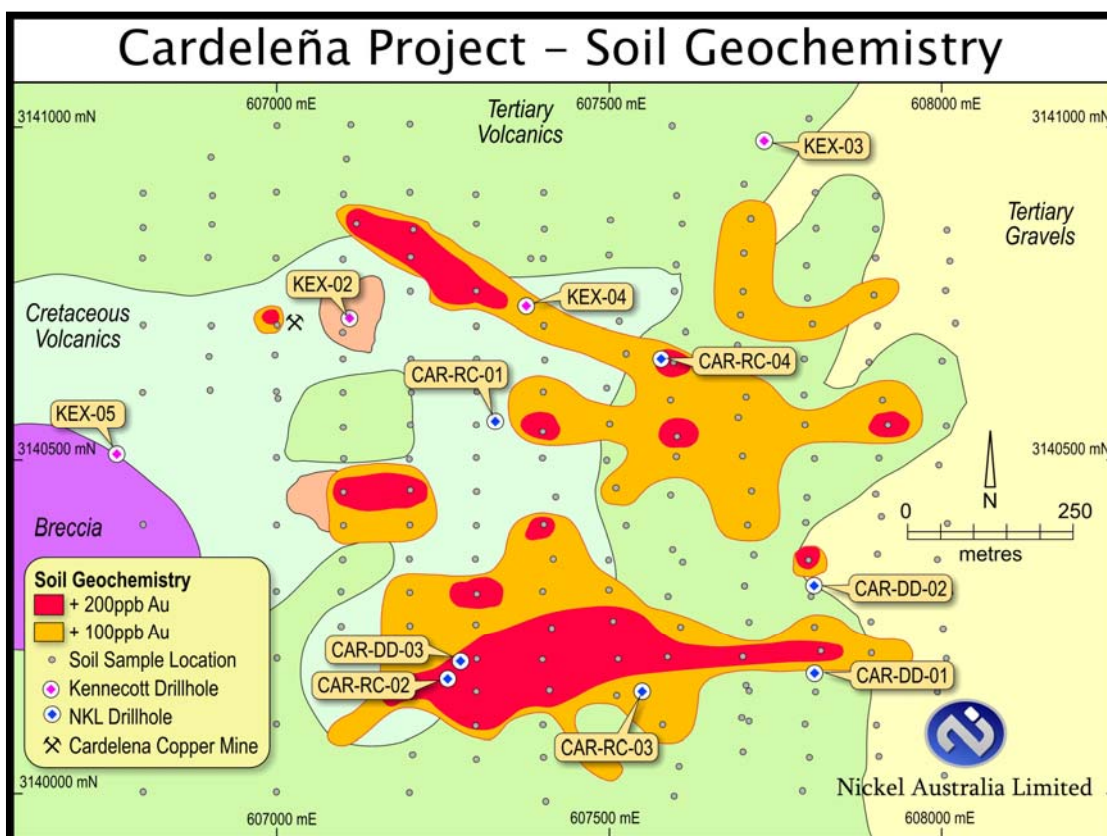
SIGNIFICANT DRILL INTERCEPTS - CARDELEÑA

Hole No	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	AuEq (g/t)	Comments
CAR-DD-01	21.5	43.3	21.8	0.82	6.98	0.94	
<i>including</i>	22.7	27.7	5.0	1.02	4.88	1.10	
	36.0	41.1	5.1	1.73	14.5	1.97	
CAR-DD-02							Assays awaited
CAR-DD-03	28.0	59.1	31.1	0.32	10.9	0.50	
<i>including</i>	31.8	37.5	5.7	0.75	28.8	1.23	
<i>and</i>	65.1	98.1	33.0	0.29	6.86	0.40	
<i>including</i>	84.6	89.1	4.5	1.01	8.6	1.15	

Drill holes CAR-DD-01 and -03 tested an east-west trending ridge of outcropping breccias approximately 800 metres long and up to 30 metres wide. These holes confirmed that higher grade gold and silver mineralisation is hosted in quartz-tourmaline-iron oxide breccias with stockwork quartz veining. These are contained within a much wider envelope of altered and silicified volcanics and porphyries containing lower, albeit still strongly anomalous, gold and silver grades.

Drill hole CAR-DD-02 tested beneath a small outcropping breccia body located about 100 metres further to the north. Brecciation and quartz veining in this hole was weaker with less intense alteration of the host rock. Assays for this hole are still awaited.

A further 200 metres to the north, a large gold-in-soil anomaly extends over a 1,000 x 200 metre zone, as defined by the 100ppb gold threshold. It contains consistently high gold values, including **1.64g/t Au** and **1.02g/t Au**. Drill testing of this zone will commence once the RC drill rig is mobilised to site.



Cardeleña - 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. Nickel Australia believes that this prospect has potential to contain significant copper oxide mineralisation, and further copper exploration will be carried out by RC drilling as part of the next program.

POZO DE NACHO

As recently advised to the ASX (7 September 2006) the diamond rig has been relocated to the Pozo de Nacho porphyry copper-molybdenum project. Drilling is in progress, with the first of two planned diamond core holes recently completed at a depth of 358 metres. Encouragingly, geological logging has visually identified copper and molybdenum sulphide mineralisation within the drill core. Analytical results are expected within three weeks.

Due to unseasonal wet weather preventing immediate access to the Cardeleña drill site, the Reverse Circulation drill rig has instead been mobilised to Pozo de Nacho where it has commenced drilling a two to three hole program totalling about 600 metres.

JOINT VENTURE BACKGROUND

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\$4M within four years and a further 24% (totalling a 75% interest) by carrying all further expenditure to the completion of a pre-feasibility study.



DRILL HOLE DETAILS - CARDELEÑA

Hole No	North (mN)	East (mE)	RL (mASL)	Dip	Azimuth	Hole Length (m)
CAR-DD-01	3 140 190	607 810	297	-50°	360°	144.2
CAR-DD-02	3 140 300	607 815	282	-50°	348°	133.0
CAR-DD-03	3 140 175	607 265	340	-50°	360°	146.5

*NOTE: Core samples assayed at ALS Chemex (Vancouver & Reno) using method AA23 (gold) & ME-ICP41 (silver)
Drill intercepts calculated as length weighted averages using a 0.2g/t Au cut-off and no top cut
AuEq (gold equivalent) grade has been calculated using gold to silver price ratio of 1:60*

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.