



Nickel Australia Limited

ABN 46 106 346 918

23 March 2006

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

Dear Sir

RE: HIGH GRADE GOLD AND SILVER INTERSECTED IN MEXICO

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

23 March 2006

HIGH GRADE GOLD & SILVER INTERSECTED IN MEXICO

HIGHLIGHTS

- Drilling has commenced in Mexico.
- High grade gold & silver mineralisation intersected in diamond drilling at Tabisco project.
- Initial results include:
 - 1.7m @ 22.0g/t Au and 332g/t Ag
 - 3.5m @ 4.45g/t Au and 161g/t Ag
 - 0.8m @ 5.77g/t Au and 849g/t Ag
- Five projects – Tabisco, San Juan, Jagüey, Cardeleña and Adriana – to be drilled for gold, silver, copper and molybdenum mineralisation.

DETAILS

Nickel Australia Limited (ASX: **NKL**) is pleased to announce that it has mobilised two drill rigs to its projects in Sonora, Mexico, and commenced drilling. An extensive program comprising at least 4,000 metres of Reverse Circulation (RC) and diamond core drilling will be undertaken on five of the projects.

Drilling has successfully intersected high grade gold and silver mineralisation at the Tabisco project.

Tabisco

The **Tabisco** project contains an extensive array of epithermal quartz veining which is situated between two strongly altered lithocaps containing anomalous copper and molybdenum indicative of a porphyry copper system. No previous drilling has been carried out within the Tabisco project area.

Diamond core drilling is being utilised to target the epithermal quartz veins, while the porphyry system will be tested by the RC drilling.

Three diamond core holes (TEBDD-01 – TEBDD-03) have been completed for a total of 587.5 metres. The holes were drilled on the same cross section, and quartz veining was successfully intersected in all three holes over a vertical extent of 200 metres. Assay results have been received from the first two holes. High grades of gold and silver mineralisation were returned from the quartz veins, including:

- 1.7m @ 22.0g/t Au and 332g/t Ag (27.5g/t AuEq) from 16.1 metres**
- 3.5m @ 4.45g/t Au and 161g/t Ag (7.14g/t AuEq) from 66.8 metres**
- 0.8m @ 5.77g/t Au and 849g/t Ag (19.9g/t AuEq) from 135.9 metres**

Details of significant intercepts received to date from the diamond drilling program are tabled below.

TABISCO PROJECT – SIGNIFICANT DIAMOND DRILL INTERCEPTS

Hole No	North (m)	East (m)	Dip / Azimuth	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	AuEq (g/t)
TABDD - 01	3 303 750	623 636	-50°/300°	16.1	17.8	1.7	22.0	332	27.5
				66.8	70.3	3.5	4.45	161	7.14
				135.9	136.7	0.8	5.77	849	19.9
TABDD - 02	3 303 751	623 636	-70°/315°	28.4	29.9	1.5	0.98	18.8	1.30
				44.4	46.9	2.5	1.09	69.2	2.24

NOTE: Samples assayed at ALS Chemex (Vancouver) using method GRA21 (gold) & AA46 (silver)

Drill intercepts calculated as weighted averages using a 1.0g/t AuEq cut-off and no top cut

AuEq (gold equivalent) grade has been calculated using gold to silver price ratio of 1:60

This high grade gold and silver mineralisation is contained in epithermal quartz veins hosted in a zone of altered volcanics, quartz stockworks and breccias. The host sequence contains wide zones of low to moderate grade gold and silver mineralisation (0.1-0.5g/t Au and 5-20g/t Ag).

Geological mapping has indicated that this quartz vein system extends over a strike length of approximately 1,000 metres. Several shallow old mine workings occur along the quartz reefs. Rock chip sampling of these quartz veins has confirmed that they are mineralised along strike, returning high grade gold and silver values, including:

Sample No.	Au (g/t)	Ag (g/t)	AuEq (g/t)
MG0012	4.80	69	5.95
MG0013	11.0	655	21.9
MG0014	6.50	388	13.0
122083	9.40	298	14.4

Three RC drill holes will target the Tabisco lithocaps. These holes will each be drilled to a depth of 250-300 metres and are designed to test for primary porphyry-style copper-gold-molybdenum mineralisation beneath the leached lithocap. Results from this drilling will be reported upon receipt.

The diamond drill rig has been moved to the Jagüey project.

Jagüey

Diamond core drilling has commenced at **Jagüey** with four holes planned. This project contains a large, strongly altered lithocap, with old mine workings located around the periphery. Rock chip sampling has returned highly encouraging results (up to **1.6g/t Au**, **455g/t Ag** and **2.0% Cu**). No previous drilling has taken place within the Jagüey project area.

The company recently completed an Induced Polarisation (IP) survey which identified two strong chargeability anomalies. One anomaly, which is open along strike and at depth, is interpreted to represent a large body of disseminated sulphide mineralisation. The second anomaly is linear and is interpreted to represent a fault-controlled, sulphide-containing vein system.

The drilling program will initially comprise four holes, each to be drilled to a depth of 250-300 metres. Three of the holes are targeting the first IP anomaly to determine the type of disseminated sulphide mineralisation. The fourth hole is targeting the linear IP anomaly.

Excellent potential exists at Jagüey for porphyry copper, epithermal gold-silver, and skarn-style gold-silver-copper mineralisation.

Cardeleña

The soil sampling program carried out at **Cardeleña** in late-2005 identified two strong gold anomalies. These anomalies are defined by the 100ppb Au threshold and they occur as parallel zones, each

extending over 800m in length and 250m in width. Several of the soil samples returned very high grade gold values, including **1.64g/t Au**, **1.57g/t Au** and **0.91g/t Au**.

In addition, a hole drilled previously by Kennecott Exploration near one of these soil anomalies returned **32m @ 0.3g/t Au** from surface and a deeper intercept of **2m @ 7.7g/t Au**. This confirms the presence of primary, bedrock-hosted, mineralisation in the vicinity of the soil anomalies, and highlights this project's potential for hosting substantial near surface gold mineralisation.

Drilling at Cardeleña will initially comprise four RC holes, with two into each of the soil anomalies, for a total of about 800 metres. This drilling will commence upon the completion of the Tabisco program.

Adriana

Drilling at **Adriana** will comprise one deep (300m) RC hole to test for high grade extensions to a previously identified zone of moderate porphyry copper mineralisation.

San Juan

One diamond core drill hole was completed at **San Juan** to a depth of 350 metres targeting silver-rich epithermal vein deposits. The drill hole intersected numerous quartz veins however only minor silver grades were returned. Results of the overall exploration program are currently being evaluated and the status of the San Juan project will be determined upon completion of this review.

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.

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.

