



# Nickel Australia Limited

ABN 46 106 346 918

16 August 2006

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

Dear Sir,

**RE: DRILLING COMMENCES IN MEXICO**

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

Yours faithfully,

Tony Rovira  
Managing Director

Encl.



# Nickel Australia Limited

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## DRILLING COMMENCES AT CARDELEÑA

### HIGHLIGHTS

- Diamond and RC drilling program has commenced at Cardeleña.
- Previous drilling intersected extensive gold and silver mineralisation in breccia zones.
- Recent trench sampling across the breccia zones confirms widespread gold and silver mineralisation at surface, including:
  - 6m @ 5.7g/t Au, &
  - 20m @ 2.2g/t Au.
- Potential exists for a significant open-pittable gold and silver resource.

### OVERVIEW

Nickel Australia Ltd (ASX code: **NKL**) is pleased to advise that it has commenced a six hole (1,200 metres) diamond core and Reverse Circulation (RC) drilling program at its Cardeleña gold and silver project in Mexico.

This program will follow up good results from the recent RC drilling which intersected substantial widths of gold and silver mineralisation, and surface sampling which confirmed a mineralised strike length of at least 800 metres.

The Company considers that the Cardeleña project has excellent potential to host significant resources of open-pittable gold and silver mineralisation.

### DETAILS

#### Recent Exploration

Reverse Circulation drilling by the Company in May intersected wide zones of gold and silver mineralisation, commencing at surface and extending to depths in excess of 180 metres.

Mineralisation is hosted in multiple, parallel zones of quartz-tourmaline-iron oxide breccias and intense stockwork quartz veining within deeply weathered and strongly altered volcanics and porphyries. The mineralised zones strike east-west with an interpreted vertical to steep southerly dip.

Recent bulldozer trenching across the mineralised trend provided clear exposures of the breccia zones. 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 becomes obscured by alluvial and scree cover.

A total of 259 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 gold mineralised intervals of **6m @ 5.7g/t Au** and **20m @ 2.2g/t Au**. Silver analyses for these trenches are outstanding.

## Current and Planned Exploration

The recently commenced drilling program will initially comprise three fences of overlapping drill holes designed to confirm the attitude and orientation of the mineralised zones, and to provide detailed mineralogical and structural information. These drill fences will have a 250 metre separation.

Depending upon results, further drilling will then be carried out to provide detailed information on the internal grade and width continuity of the mineralisation and to define the strike and depth extents of the mineralisation. This will also involve drill testing possible strike extensions beneath the alluvial cover to the east and west.

## 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.

Released by Tony Rovira  
Managing Director  
Nickel Australia Ltd  
16 August 2006

*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.*

