



Nickel Australia Limited

ABN 46 106 346 918

8 June 2006

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

Dear Sir

RE: NEW GOLD DISCOVERY 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

8 June 2006

NEW GOLD DISCOVERY IN MEXICO

HIGHLIGHTS

- Extensive, shallow gold mineralisation intersected in drilling at the Cardeleña Project
- Six RC drill holes commence testing two large gold-in-soil anomalies
- Results from four of the holes include:
 - 176.8 metres @ 0.21g/t Au from surface
 - 125.0 metres @ 0.43g/t Au from 73.1m to end of hole
 - 97.5 metres @ 0.25g/t Au from surface to end of hole
 - 30.5 metres @ 1.85g/t Au from 91.4m to end of hole
 - Including 3.0 metres @ 11.65g/t Au from 112.8m

PREAMBLE

Nickel Australia Limited (ASX: **NKL**) is pleased to announce that Reverse Circulation drilling at its Cardeleña Project in Sonora, Mexico has intersected extensive zones of gold mineralisation.

DETAILS

The Company recently completed the first drilling program at Cardeleña, comprising six Reverse Circulation (RC) holes for a total of 969 metres.

Drilling intersected wide zones of gold and silver mineralisation hosted in altered and silicified volcanics containing quartz-tourmaline-iron oxide breccias and quartz veining. Better intercepts are tabled below.

SIGNIFICANT DRILL INTERCEPTS - CARDELEÑA

Hole No	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	AuEq (g/t)	Comments
CAR-RC-01	30.5	61.0	30.5	0.50	10.7	0.68	
CAR-RC-02	0.0	97.5 #	97.5	0.25	2.6	0.29	Mineralisation commenced at surface and the entire drill hole is mineralised
CAR-RC-02A	0.0	176.8	176.8	0.21	4.7	0.29	Mineralisation commenced at surface
CAR-RC-03	91.4	121.9 #	30.5	1.85	9.2	2.00	Hole finished in mineralisation
<i>including</i>	112.8	115.8	3.0	11.65	23.8	12.1	
CAR-RC-03A	73.1	198.1 #	125.0	0.43	4.0	0.50	Hole finished in mineralisation
CAR-RC-04	6.1	12.2	6.1	0.16	17.3	0.45	

NOTE: Samples assayed at ALS Chemex (Vancouver) using method GRA21 (gold) & AA46 (silver)
 Drill intercepts calculated as weighted averages using a 0.1g/t AuEq cut-off and no top cut
 AuEq (gold equivalent) grade has been calculated using gold to silver price ratio of 1:60
 # = Hole finished in mineralisation

This program is the first drilling undertaken to test two large gold-in-soil anomalies. Each soil anomaly is defined by the 100ppb Au threshold, and the anomalies contain consistently high gold values, including **1.64g/t Au**, **1.57g/t Au** and **0.91g/t Au**. The northern anomaly extends over one kilometre in length and up to 200 metres in width, while the southern anomaly is over 700 metres long and up to 300 metres wide.

The results from this first drilling program at Cardeleña are very encouraging. They confirm the presence of significant widths of primary gold mineralisation commencing at or very near the surface and extending to a depth of at least 180 vertical metres. This highlights the potential of the project to host substantial open pittable gold mineralisation.

Follow-up exploration has commenced with a detailed infill and extensional soil sampling program in progress. A trenching program is scheduled for July and further RC drilling will be carried out in August. The trenching and drilling will target the core of the gold soil anomalies to enhance intersecting substantial widths of ore grade mineralization.

DRILL HOLE DETAILS - CARDELEÑA

Hole No	North (mN)	East (mE)	Dip	Azimuth	Hole Length (m)
CAR-RC-01	3 140 554	607 329	-70°	360°	201.2
CAR-RC-02	3 140 166	607 262	-70°	300°	97.5
CAR-RC-02A	3 140 163	607 265	-80°	300°	201.2
CAR-RC-03	3 140 164	607 551	-70°	360°	121.9
CAR-RC-03A	3 140 164	607 561	-80°	035°	198.1
CAR-RC-04	3 140 651	607 577	-70°	180°	149.3

NOTE: CAR-RC-02 & 03 encountered drilling difficulties, which required them to be redrilled as CAR-RC-02A & 03A respectively.

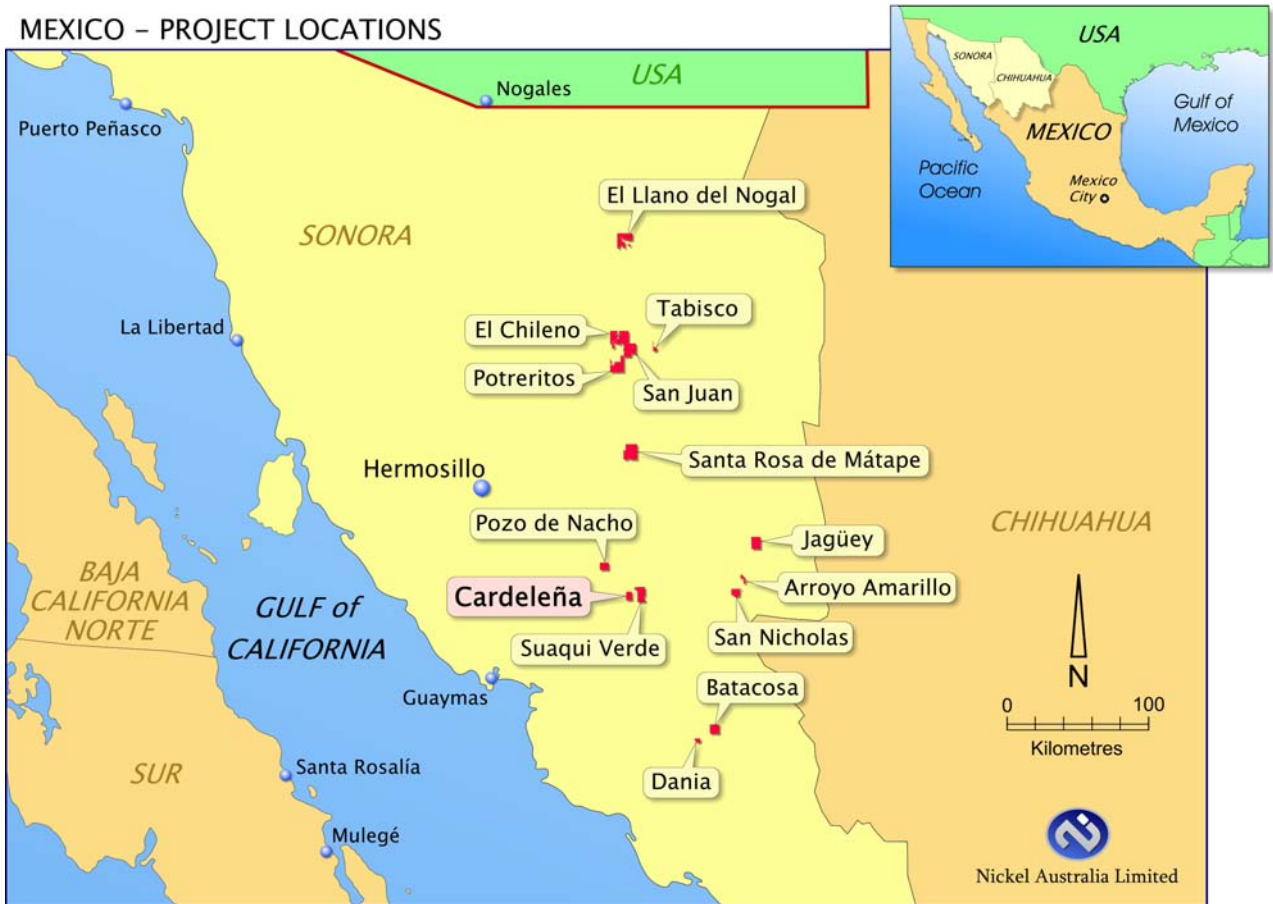
JOINT VENTURE BACKGROUND

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.

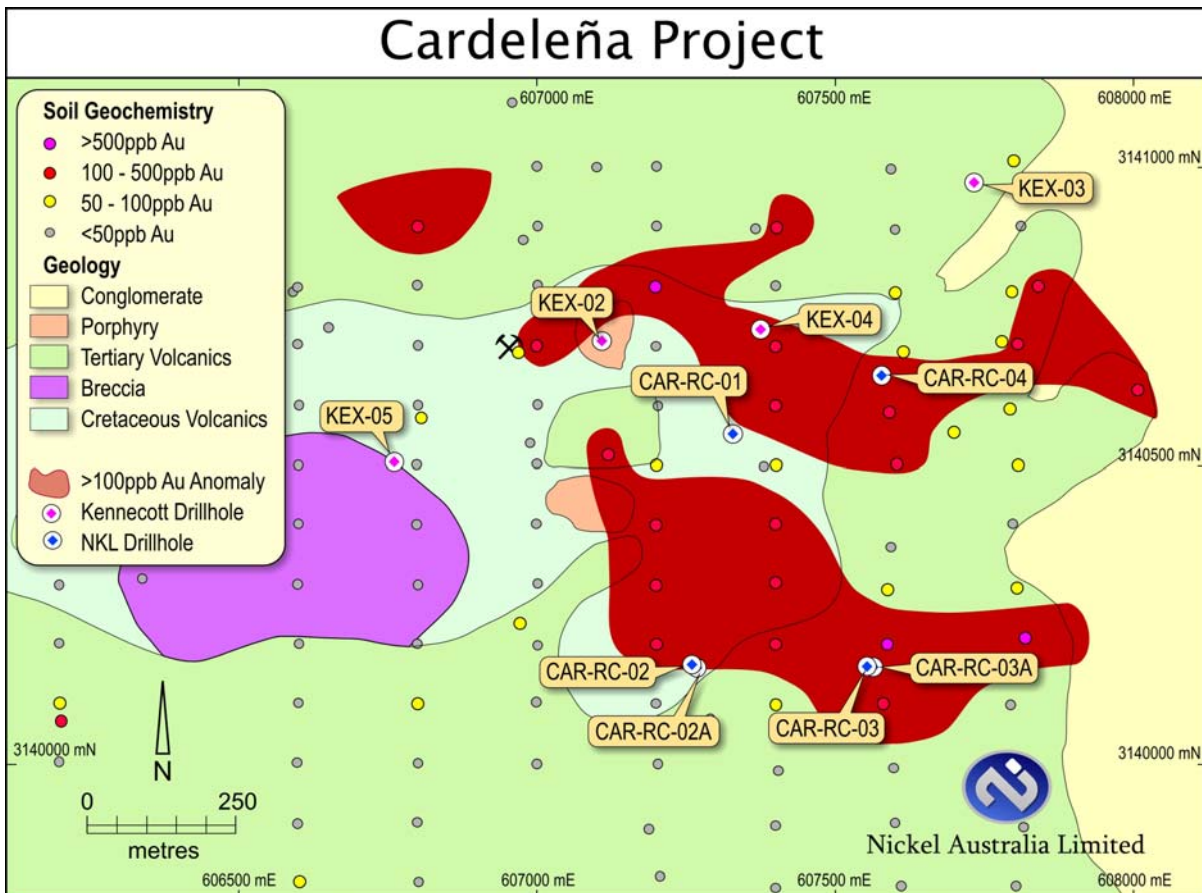
Released by Tony Rovira
Managing Director
Nickel Australia Ltd
8 June 2006

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.

MEXICO – PROJECT LOCATIONS



Cardeleña Project



Cardeleña Project

