



Nickel Australia Limited

ABN 46 106 346 918

4 August 2005

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

Dear Sir

RE: MEXICO EXPLORATION UPDATE

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

4 August 2005

EXPLORATION ACTIVITIES COMMENCE IN MEXICO

- Focus on San Juan and Tabisco gold-silver projects in Sonora Province.
- Extensive outcropping gold and silver-rich vein systems identified previously by Kennecott at San Juan. RC drilling intersected 22m @ 92g/t Ag from surface.
- Historic rock chip grades of 9.4g/t Au and 298 g/t Ag from Tabisco.

Nickel Australia Limited (ASX: **NKL**) is pleased to announce that the company has commenced field exploration on the **San Juan** and **Tabisco** gold-silver projects which form part of the Mexico Joint Venture with Geoinformatics Exploration Inc (TSX-V: GXL) announced earlier this week. This joint venture currently comprises 13 projects located in the northern Mexican state of Sonora.

Nickel Australia considers that these high priority projects have the potential to host significant high grade gold-silver epithermal vein deposits, and the first phase of an active, systematic field exploration program has commenced on both projects.

San Juan covers an area of 67km² and is located 7km east of the porphyry-hosted Cumobabi molybdenum-copper mine (Mexico's largest molybdenum producer). The major targets at San Juan are high grade gold and silver-rich epithermal vein deposits located peripheral to the main porphyry body. Previous exploration by Kennecott identified extensive outcropping gold-rich and silver-rich vein systems. The principal vein array extends over 3.8km and has undergone very limited modern exploration, even though parts of these veins systems were the focus of historic mining activities. One RC hole drilled by Kennecott intersected **22m @ 92g/t Ag from surface**, with no follow-up work carried out. San Juan also contains potential for extensions to the Cumobabi Mo-Cu orebody and copper-rich breccias located adjacent to the porphyry body.

Tabisco covers 7km² and is located 16km east of San Juan. The property contains a prominent alteration zone characterised by abundant quartz-sulphide veinlets and breccias. Historic workings on one vein set returned rock chip grades of **9.4g/t Au** and **298g/t Ag**, however no systematic surface exploration or drilling has been carried out. The main targets at Tabisco are high grade gold-silver epithermal veins, stockworks and breccia systems. The property also has good potential to host supergene enriched copper-gold zones beneath the alteration cap, and buried porphyry copper-molybdenum bodies.

These projects enjoy good access all year round and have well established local infrastructure and services. The Joint Venture has an established office in Hermosillo (the capital of Sonora), and exploration is being carried out by Mexican geologists overseen by Nickel Australia management.

The first phase of exploration includes detailed geological mapping, surface geochemical sampling (rock chips, soils and stream sediments), and ground geophysics (induced polarisation surveys). Similar exploration activities will continue throughout the year on the remaining Joint Venture projects tabled below. Drilling of defined targets at San Juan and Tabisco will commence as soon as drill rigs become available.

MEXICO JOINT VENTURE PROJECTS

PROJECTS	MINERALISATION STYLE
San Juan	Epithermal Au/Ag system with extensive old workings – rock chip samples of 606 g/t Ag & 1.8g/t Au; RC drill hole of 22m @ 92 g/t Ag
Tabisco	Strong alteration system with high grade epithermal Au/Ag veins and old workings – rock chip samples of 9.4 g/t Au & 298 g/t Ag
Jaguey	Porphyry-related skarn & breccia system with outcropping Cu and Au mineralisation – rock chip samples of 7.0% Cu, 2.5 g/t Au & 118 g/t Ag
Cardelena	Porphyry Cu/Au system – rock chip samples of 5.8% Cu & 11.6, 7.6 & 6.2 g/t Au
Suaqui Verde	Porphyry Cu/Mo system – abundant outcropping Cu mineralisation
El Chileno	Extension of the porphyry intrusive system which hosts the Cumobabi Cu/Mo mine.
Potreritos	Porphyry Cu/Au target - anomalous rock chip & stream sediment sampling
Pozo de Nacho	Porphyry Cu/Au target - strong Cu & Mo anomalies
El Llano de Nogal	High grade epithermal Au/Ag system – rock chip samples of 10.9, 5.3 & 4.6 g/t Au
Santa Rosa de Matape	High grade epithermal Au/Ag system – rock chip samples of 15.7, 10.5 & 3.8 g/t Au
San Nicholas	Strong alteration system – outcropping Cu mineralisation
Baroyeca	Porphyry Cu/Au target – contains old Cu & Au workings
Batacosa	Porphyry Cu/Au target – contains old Cu & Au workings

PROJECT SUMMARY

The Mexico Joint Venture agreement includes the following significant components:

1. exploration joint venture over Geoinformatics' exploration portfolio in northern Mexico, currently comprising 13 projects;
2. strategic alliance giving Nickel Australia first rights to all future Geoinformatics' projects within the northern Mexican states of Sonora and Chihuahua; and
3. Nickel Australia has a first right of offer on all projects in Sonora and Chihuahua made available to Geoinformatics through its alliance with Kennecott (a Rio Tinto subsidiary).

Geoinformatics is a TSX-V listed mineral exploration company that provides innovative target generation and exploration strategies to the global mining and exploration industry. Geoinformatics has entered into long term relationships with some of the world's largest mining companies (eg Kennecott) to provide a pipeline of projects to the mining community.

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.

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PROJECT LOCATIONS



Nickel Australia Limited