

Nickel Australia Limited

ABN 46 106 346 918

Annual Financial Report

for the year ended 30 June 2005

Corporate Information

ABN 46 106 346 918

Directors

Campbell T Ansell (Chairman)
Anthony Paul Rovira (Managing Director)
Michael John Fowler (Non-Executive Director)
John Walter Saleeba (Non-Executive Director)

Company Secretary

Dennis William Wilkins

Registered Office

Level 1, 30 Richardson Street
WEST PERTH WA 6005
(08) 9481 2555

Solicitors

Salter Power
52 Ord Street
WEST PERTH WA 6005

Bankers

Commonwealth Bank of Australia Limited
National Australia Bank Limited

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 0933
Facsimile: (08) 9315 2233

Auditors

Stanton Partners
Level 1, 1 Havelock Street
WEST PERTH WA 6005

Internet Address

www.nickelaustralia.com.au

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Directors' Report

Your directors submit their report for the year ended 30 June 2005.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Campbell T Ansell, FCA, MAICD (Chairman)

Campbell Ansell is a Chartered Accountant who is also a director of Croesus Mining NL, Universal Resources Ltd and is Chairman of De Grey Mining Limited and Dragon Mining NL. He is also a non-executive director of several other successful business operations and has had a long term involvement with the resources sector and several government and semi government boards.

Anthony Paul Rovira, BSc Flinders University, BSc (Hons) Flinders University, MAusIMM (Managing Director)

Tony Rovira is the Managing Director of Nickel Australia Limited. He has 22 years experience in the mining industry, both as an exploration geologist in gold and base metals, and as a mining geologist in open pit and underground gold operations. Since graduating from Flinders University in South Australia in 1983, Tony has worked for companies both large and small, including BHP, Sons of Gwalia, Barrack Mines and Zapopan.

From 1997-2003 Tony was the General Manager - Exploration with Jubilee Mines, during which time he led the team which discovered and developed the world class Cosmos and Cosmos Deeps massive nickel sulphide deposits. In the year 2000, the Association of Mining and Exploration Companies awarded Tony the Prospector of the Year Award for the discovery of the Cosmos deposit.

Tony is responsible for the management of all Nickel Australia's activities, including exploration, project generation and acquisition, and implementation of strategies set by the board.

Michael John Fowler, BAppSc (Geol) Curtin University, MSc (Ore Deposit Geology) UWA, MAusIMM (Non-Executive Director)

Michael has been involved in the mineral exploration industry in Western Australia for 16 years since graduating from Curtin University in 1988 with a Bachelor of Applied Science degree majoring in geology. On graduating he worked as an Exploration Geologist exploring for gold and base metals for Dominion Mining in the Murchison and Gascoyne Regions of Western Australia before working as a Project Geologist in the Eastern Goldfields of Western Australia.

Michael joined Croesus in 1996 exploring for gold at Croesus' Binduli Project and was made Exploration Manager in 1997. He completed a Master of Science majoring in Ore Deposit Geology in 1999. He oversaw all exploration for Croesus until June 2004 and was closely associated with the acquisition of the Davyhurst Project and the merger with Central Norseman. Michael has recently taken on the role of Business Development Manager for Croesus.

John Walter Saleeba, BCom, LLB, CPA, FAICD (Non-Executive Director)

John was formerly a partner in the law firm Clayton Utz. John is a Fellow of the Australian Institute of Company Directors and currently is Chairman of Alliance Finance Corporation Limited, and Repecol Limited.

John has held directorship with Skywest Limited, Burtway Limited, Floreat Close Limited and a number of other companies, covering a wide range of business activities.

COMPANY SECRETARY

Dennis William Wilkins, BBus, ACIS, AICD

Mr Dennis Wilkins is an accountant who has been a director, company secretary or acted in a corporate advisory capacity to listed resource companies for over 20 years.

Mr Wilkins previously served as the Finance Director and Company Secretary for a mid tier gold producer and also spent five years working for a leading merchant bank in the United Kingdom. Resource postings to Indonesia, South Africa and New Zealand in managerial roles has broadened his international experience.

Mr Wilkins has extensive experience in capital raising specifically for the resources industry and is the principal of DWCorporate which provides advisory, funding and administrative management services to the resource sector. Mr Wilkins is a director of South Boulder Mines Limited, Marengo Mining Limited and Bonaparte Diamond Mines NL.

Directors' Report continued

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Nickel Australia Limited were:

	Ordinary Shares	Options over Ordinary Shares
Campbell T Ansell	408,000	1,250,000
Anthony Paul Rovira	1,200,000	5,000,000
Michael John Fowler	1,008,000	1,000,000
John Walter Saleeba	270,000	1,000,000

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

CORPORATE INFORMATION

Nature of operations and principal activities

During the year the company carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying nickel and other economic mineral deposits.

Employees

The company employed 6 employees as at 30 June 2005 (2004: 5 employees).

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The operating loss after income tax of the company for the year ended 30 June 2005 was \$4,085,636 (2004: \$1,512,244). Included in this loss figure is an amount of exploration expenditure (\$3,576,108) written off. Refer notes to the financial statements note 1(d).

Summarised operating results are as follows:

	2005	
	Revenues	Results
	\$	\$
<i>Geographic segment</i>		
Australia	572,546	(4,085,636)
Revenues and loss from ordinary activities before income tax expense	<u>572,546</u>	<u>(4,085,636)</u>

Shareholder Returns

	2005	2004
Basic loss per share (cents)	(4.8)	(3.1)

Directors' Report continued

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.
- The company undertakes risk review meetings annually with the involvement of senior management. Identified risks are weighed with action taken to mitigate key risks.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the company occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The company expects to maintain the present status and level of operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company is subject to significant environmental regulation in respect to its exploration activities.

The company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the company are not aware of any breach of environmental legislation for the year under review.

SHARE OPTIONS

Unissued shares

At the date of this report there are 8,900,000 unissued ordinary shares in respect of which options are outstanding. These options do not entitle the holders to participate in any share issue of the company or any other body corporate.

	Number of options
Balance at the beginning of the year	8,900,000
Share options issued during the year	
Nil	-
Total options issued to 30 June 2005	<u>-</u>
Total number of options outstanding as at 30 June 2005	<u>8,900,000</u>
Issued subsequent to year end	-
Total number of options outstanding at the date of this report	<u><u>8,900,000</u></u>

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Directors' Report continued

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums insuring all the directors of Nickel Australia Limited against costs incurred in defending proceedings for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid is confidential under the terms of the insurance policy.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Nickel Australia Limited (the company).

Remuneration policy

The remuneration policy of Nickel Australia Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of Nickel Australia Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$200,000). Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

Performance based remuneration

The company currently has no performance based remuneration component built into director and executive remuneration packages.

Company performance, shareholder wealth and directors' and executives' remuneration

The company currently has no performance based remuneration component built into director and executive remuneration packages.

Employment contracts of directors and senior executives

For details of service agreements between directors/executives and Nickel Australia Limited, refer note 20.

Notes continued

30 JUNE 2005

Table 1: Director remuneration for the year ended 30 June 2005

	Primary benefits			Post Employment		Equity Options	Other Bonuses	Total
	Salary & Fees	Cash STI	Non Monetary	Superannuation	Retirement benefits			
Campbell T Ansell								
2005	30,000	-	-	2,700	-	-	-	32,700
2004	30,000	-	-	2,700	-	-	-	32,700
Anthony Paul Rovira								
2005	183,333	-	-	16,500	-	-	-	199,833
2004	92,085	-	-	8,288	-	-	-	100,373
Michael John Fowler								
2005	25,000	-	-	2,250	-	-	-	27,250
2004	18,750	-	-	1,687	-	-	-	20,437
John Walter Saleeba								
2005	25,000	-	-	2,250	-	-	-	27,250
2004	18,750	-	-	1,687	-	-	-	20,437

Table 2: Remuneration of the 5 named executives who receive the highest remuneration for the year ended 30 June 2005

	Primary benefits			Post Employment		Equity Options	Other Bonuses	Total
	Salary & Fees	Cash STI	Non Monetary	Superannuation	Retirement benefits			
Dennis Wilkins								
2005	72,000	-	-	-	-	-	-	72,000
2004	86,000	-	-	-	-	-	-	86,000
Patrick Manouge								
2005	120,000	-	-	10,800	-	-	-	130,800
2004	55,001	-	-	4,950	-	-	-	59,951

Table 3: Options granted as part of remuneration for the year ended 30 June 2005

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Nickel Australia Limited to increase goal congruence between executives, directors and shareholders. No options have been granted as part of remuneration during the year. For details of directors and executives interests in options at year end, refer note 20.

Table 4: Performance Income as a proportion of total remuneration

No performance based bonuses have been paid to executive directors and executives during the financial year. It is the intent of the board to include performance bonuses as part of remuneration packages when mine production commences.

Directors' Report continued

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year are:

	Directors' Meetings		Meetings of Committees			
	A	B	Audit		Remuneration	
	A	B	A	B	A	B
Number of meetings attended:						
Campbell T Ansell	7	7	2	2	1	1
Anthony Paul Rovira	7	7	*	*	*	*
Michael John Fowler	7	7	2	2	1	1
John Walter Saleeba	7	7	2	2	1	1

Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

* - Not a member of the relevant committee

The audit committee comprises C.T. Ansell, M.J. Fowler and J.W. Saleeba with D.W. Wilkins in attendance.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Directors' Report continued

AUDITOR INDEPENDENCE

The lead auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 37.

NON-AUDIT SERVICES

No non-audit services were provided by the entity's auditor, Stanton Partners and no fees were paid or are payable to Stanton Partners for non-audit services for the year ended 30 June 2005.

Signed in accordance with a resolution of the directors.

Anthony Paul Rovira
Managing Director

Perth, 20 September 2005

Corporate Governance Statement

The Board of Directors

The company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the company's activities increase in size, nature and scope the size of the board will be reviewed periodically and the optimum number of directors required to supervise adequately the company's constitution determined within the limitations imposed by the constitution and as circumstances demand.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit and Remuneration Committee) at this time. The board as a whole is able to address the governance aspects of the full scope of the company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of the management and the overall corporate governance of the company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the company.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines 2004 with a view to making amendments where applicable after considering the company's size and the resources it has available. As the company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the company's present position with regard to adoption of these principles.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	Lay solid foundations for management and oversight		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management	A	The company has adopted this recommendation to formalise and disclose the functions reserved to the board and those delegated to management.
Principle 2:	Structure the board to add value		
2.1	A majority of board members should be independent directors	N/A	Given the company's background, the nature and size of its business and the current stage of its development, the Board comprises four directors, three of whom are non-executive (only one of which is independent). The board believes that this is both appropriate and acceptable at this stage of the company's development.
2.2	The chairperson should be an independent director	N/A	
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	A	The positions of chairman and managing director are held by separate persons
2.4	The board should establish a nomination committee	N/A	The board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for, screening and appointing new directors. In view of the size and resources available to the company, it is not considered that a separate nomination committee would add any substance to this process.
2.5	Provide the information indicated in Guide to reporting on Principle 2	A (in part)	The skills and experience of directors are set out in the company's annual report and on its website.
Principle 3:	Promote ethical and responsible decision-making		
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity 3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices	A	The company has formulated a code of conduct which can be viewed on the company's website.

A = Adopted

N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
	Principle 3: Promote ethical and responsible decision-making		
	<i>(continued)</i>		
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	A	The company has formulated a securities trading policy which can be viewed on its website.
3.3	Provide the information indicated in Guide to Reporting on Principle 3	A	The company has established an audit committee which comprises three non-executive directors. The charter for this committee is disclosed on the company's website. Sourcing alternative or additional directors to strictly comply with this principle is considered expensive with costs outweighing potential benefits. In addition, the board as a whole addresses the governance aspects of the full scope of the company's activities to ensure that it adheres to appropriate ethical standards. All matters which might properly be dealt with by special committees are subject to regular scrutiny at full board meetings.
	Principle 4: Safeguard integrity in financial reporting		
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards	A	
4.2	The board should establish an audit committee	A	
4.3	Structure the audit committee so that it consists of:	A (in part)	
	• Only non-executive directors	✓	
	• A majority of independent directors	✗	The company has three non-executive directors, only one of which is independent.
	• An independent chairperson who is not the chairperson of the board	✓	
	• At least three members	✓	
4.4	The audit committee should have a formal charter	A	
4.5	Provide the information indicated in Guide to reporting on Principle 4	A	
	Principle 5: Make timely and balanced disclosure		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	N/A	The company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Provide the information indicated in Guide to Reporting on Principle 5	N/A	The board receives monthly reports on the financial position of the company with performance being measured against approved budgets.

A = Adopted

N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 6: Respect the rights of shareholders			
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	A	In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the company website and the distribution of specific releases covering major transactions or events.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report	A	Shareholders are encouraged to exercise their right to vote, either by attending meetings, or by lodging a proxy. The company's auditors attend all shareholders' meetings.
Principle 7: Recognise and manage risk			
7.1	The board or appropriate board committee should establish policies on risk oversight and management	A	The company has formalised policies on risk management and the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board 7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	A	Determined areas of risk which are regularly considered include: <ul style="list-style-type: none"> • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations
7.3	Provide information indicated in Guide to Reporting on Principle 7	A	
Principle 8: Encourage enhanced performance			
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	A	The company has a sub-committee of the board to consider remuneration matters. The remuneration of executive and non-executive directors is reviewed by the remuneration committee. The remuneration of management and employees is reviewed by the board and approved by the chairman. Acting in its ordinary capacity, the board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the company's securities. Whenever relevant, any such matters are reported to ASX.

A = Adopted

N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 9: Remunerate fairly and responsibly			
9.1	Provide disclosure in relation to the company's remuneration policies and benefits to these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	A	The company discloses remuneration-related information in its Annual Report to shareholders in accordance with the Corporations Act 2001. Remuneration levels are determined by the board on an individual basis, the size of the company making individual assessment more appropriate than formal remuneration policies. In doing so, the board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
9.2	The board should establish a remuneration committee	A	
9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	A	
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	A	
9.5	Provide information indicated in ASX Guide to Reporting on Principle 9	A	
Principle 10: Recognise legitimate interests of stakeholders			
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	A	The company's code of conduct is set out in the company's website. The board continues to review existing procedures over time to ensure adequate processes are in place. All directors, employees and contractors are expected to act with the utmost integrity and objectivity in their dealings with other parties, striving at all times to enhance the reputation and performance of the company.
<p><i>A = Adopted</i> <i>N/A = Not adopted</i></p>			

Statement of Financial Performance

YEAR ENDED 30 JUNE 2005

	Notes	The Company	
		2005 \$	2004 \$
REVENUE FROM ORDINARY ACTIVITIES	2	572,546	424,300
Depreciation expenses	3	(89,437)	(65,625)
Salaries and employee benefits expense		(335,343)	(183,181)
Exploration expenses	3	(3,576,108)	(1,222,959)
Travel and promotion expenses		(137,703)	(59,612)
Consulting expenses		(163,183)	(127,138)
Insurance expenses		(58,167)	(50,377)
Other expenses from ordinary activities		(298,241)	(227,652)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(4,085,636)	(1,512,244)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	-	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF NICKEL AUSTRALIA LIMITED	12	(4,085,636)	(1,512,244)
Share issue costs	11	-	(847,669)
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF NICKEL AUSTRALIA LIMITED AND RECOGNISED DIRECTLY IN EQUITY		-	(847,669)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF NICKEL AUSTRALIA LIMITED		(4,085,636)	(2,359,913)
Basic loss per share (cents per share)		(4.8)	(3.1)

The Statement of Financial Performance is to be read in conjunction with the Notes to the Financial Statements.

Statement of Financial Position

AT 30 JUNE 2005

	Notes	The Company	
		2005 \$	2004 \$
CURRENT ASSETS			
Cash assets	13(b)	7,974,167	12,070,545
Receivables	6	65,578	88,249
TOTAL CURRENT ASSETS		8,039,745	12,158,794
NON-CURRENT ASSETS			
Plant and equipment	7	209,442	293,661
Mining tenements capitalised	8	4,355,542	4,270,905
TOTAL NON-CURRENT ASSETS		4,564,984	4,564,566
TOTAL ASSETS		12,604,729	16,723,360
CURRENT LIABILITIES			
Payables	9	195,992	267,532
Provisions	10	54,285	15,740
TOTAL CURRENT LIABILITIES		250,277	283,272
TOTAL LIABILITIES		250,277	283,272
NET ASSETS		12,354,452	16,440,088
EQUITY			
Contributed equity	11	17,952,332	17,952,332
Accumulated losses	12	(5,597,880)	(1,512,244)
TOTAL EQUITY		12,354,452	16,440,088

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows

YEAR ENDED 30 JUNE 2005	Notes	The Company	
		2005 \$	2004 \$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Payments to suppliers and employees		(984,818)	(597,577)
Interest received		572,546	424,300
Other		-	(3,173)
Expenditure on mining interests		(3,594,251)	(1,089,193)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	13(a)	(4,006,523)	(1,265,643)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for plant and equipment		(5,218)	(359,286)
Payments for tenement acquisition		(84,637)	(506,858)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(89,855)	(866,144)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		-	15,050,001
Payment of share issue costs		-	(847,669)
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	14,202,332
NET INCREASE/(DECREASE) IN CASH HELD		(4,096,378)	12,070,545
Add opening cash brought forward		12,070,545	-
CLOSING CASH CARRIED FORWARD	13(b)	7,974,167	12,070,545

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report covers the economic entity, Nickel Australia Limited which is a public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Property, plant and equipment

Cost and valuation

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Depreciation

Depreciation is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 20% and 40% per annum.

(c) Recoverable Amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present values.

(d) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production.

Notes continued

30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

(f) Taxes

Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Where assets are revalued no provision for potential capital gains tax has been made.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

Notes continued

30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are charged against profits on a net basis in their respective categories.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Control of the right to receive the interest payment.

(j) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(k) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(l) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(m) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures. The company was incorporated on 19 September 2003, accordingly comparative information is shown only from this date.

Notes continued

30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Joint ventures

Interest in the joint venture operations are brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred. Details of the company's interests are shown in note 24.

Interest in joint venture partnerships are carried at the lower of the equity-accounted amount and recoverable amount in the financial report.

Notes continued

30 JUNE 2005	Notes	The Company	
		2005 \$	2004 \$
2. REVENUE FROM ORDINARY ACTIVITIES			
Revenues from non-operating activities			
Interest			
Bank interest		572,546	424,300
Total revenues from ordinary activities		572,546	424,300
3. EXPENSES AND LOSSES			
(a) Expenses			
Depreciation of plant and equipment		89,437	65,625
Exploration and evaluation costs		3,576,108	1,222,959
4. INCOME TAX			
The prima facie tax, using tax rates applicable in the country of operation, on operating loss differs from the income tax provided in the financial statements as follows:			
Prima facie tax benefit on loss from ordinary activities		(1,225,691)	(453,673)
Tax effect of permanent differences		979	5,706
Future income tax benefit not brought to account		1,224,712	447,967
Income tax expense attributable to ordinary activities		-	-
Income tax losses			
Future income tax benefit arising from tax losses of the company not recognised at reporting date as realisation of the benefit is not regarded as virtually certain		1,669,679	444,967

No income tax is payable by the company. The directors have considered it prudent not to bring to account the future income tax benefit of income tax losses and exploration deductions until there is virtual certainty of deriving assessable income of a nature and amount to enable such benefit to be realised.

This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the company in realising the benefit.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Notes continued

30 JUNE 2005

	Notes	The Company	
		2005 \$	2004 \$
6. RECEIVABLES (CURRENT)			
Sundry debtors		2,306	3,174
Goods and Services Tax receivable		63,272	85,075
		65,578	88,249
7. PLANT AND EQUIPMENT			
Plant and equipment			
At cost		364,504	359,286
Accumulated depreciation		(155,062)	(65,625)
	7(a)	209,442	293,661
(a) Reconciliations			
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year.			
<i>Plant and equipment</i>			
Carrying amount at beginning		293,661	-
Additions		5,218	359,286
Depreciation expense		(89,437)	(65,625)
Carrying amount at end		209,442	293,661
8. MINING TENEMENTS CAPITALISED			
- Tenement acquisition costs		4,355,542	4,270,905
		4,355,542	4,270,905
The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.			
9. PAYABLES (CURRENT)			
Trade creditors		51,735	176,194
Other creditors and accruals		144,257	91,338
		195,992	267,532
10. PROVISIONS (CURRENT)			
Employee benefits	15	54,285	15,740
		54,285	15,740
11. CONTRIBUTED EQUITY			
(a) Issued and paid up capital			
Ordinary shares fully paid		17,952,332	17,952,332
		17,952,332	17,952,332

Notes continued

30 JUNE 2005

Notes

The Company

2005
\$

2004
\$

11. CONTRIBUTED EQUITY (cont'd)

(b) Movements in shares on issue

	2005		2004	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	85,000,004	17,952,332	-	-
Issued during the year				
- Shares issued on incorporation	-	-	4	1
- Shares issued for cash	-	-	10,000,000	50,000
- Shares issued to acquire tenements	-	-	15,000,000	3,750,000
- Shares at 25c each	-	-	60,000,000	15,000,000
less transaction costs	-	-	-	(847,669)
End of the financial year	85,000,004	17,952,332	85,000,004	17,952,332

(c) Movements in options on issue

	Number of options	
	2005	2004
Beginning of the financial year	8,900,000	-
Issued during the year		
- Exercisable at 25c, on or before 30 Nov 2008	-	1,780,000
- Exercisable at 25c, on or before 30 Nov 2009	-	3,560,000
- Exercisable at 25c, on or before 30 Nov 2010	-	3,560,000
End of the financial year	8,900,000	8,900,000

12. ACCUMULATED LOSSES

Balance at the beginning of year	(1,512,244)	-
Net loss attributable to members of Nickel Australia Limited	(4,085,636)	(1,512,244)
Balance at end of year	(5,597,880)	(1,512,244)

2005
\$

2004
\$

13. STATEMENT OF CASH FLOWS

(a) Reconciliation of the net loss after tax to the net cash flows from operations

Net loss	(4,085,636)	(1,512,244)
Non-Cash Items		
Depreciation of non-current assets	89,437	65,625
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	22,584	(88,249)
Increase/(decrease) in trade and other creditors	(71,453)	253,485
Increase in employee entitlements	38,545	15,740
Net cash outflow from operating activities	(4,006,523)	(1,265,643)

(b) Reconciliation of cash

Cash balance comprises:		
- cash assets	7,974,167	12,070,545
Closing cash balance	7,974,167	12,070,545

Notes continued

30 JUNE 2005

Notes

The Company

2005
\$2004
\$

14. EXPENDITURE COMMITMENTS

(a) Exploration commitments

The company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

not later than one year	2,050,514	1,927,041
later than one year and not later than five years	7,176,799	5,862,080
	<u>9,227,313</u>	<u>7,789,121</u>

(b) Lease expenditure commitments

(i) Operating leases (non-cancellable):

Minimum lease payments

– not later than one year	62,614	44,453
– later than one year and not later than five years	31,307	59,000
– aggregate rental lease expenditure contracted for at reporting date	<u>93,921</u>	<u>103,453</u>

(c) Employment contract commitments

The company has entered into a service agreement with Mr Rovira. Outstanding commitments under the service agreement at 30 June 2005 are as follows:

not later than one year	220,000	221,300
later than one year and not later than five years	550,000	640,829
	<u>770,000</u>	<u>862,129</u>

(d) These obligations are capable of being varied from time to time

15. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

The aggregate employee benefit liability is comprised of:

Provisions (current)	54,285	15,740
	<u>54,285</u>	<u>15,740</u>

Employee Share Scheme

At reporting date no employee share scheme had been established.

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities or contingent assets of the company at balance date.

17. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 30 June 2005, which significantly affects, or may significantly affect the operations of the company, the result of those operations, or the state of affairs of the company in subsequent financial years.

Notes continued

30 JUNE 2005

Notes

The Company

2005
\$

2004
\$

18. LOSS PER SHARE

The following reflects the income and share data used in the calculations of basic loss per share:

Net loss	<u>(4,085,636)</u>	<u>(1,512,244)</u>
Loss used in calculating basic loss per share	<u><u>(4,085,635)</u></u>	<u><u>(1,512,244)</u></u>

Weighted average number of ordinary shares used in calculating basic loss per share

Number of shares Number of shares

<u><u>85,000,004</u></u>	<u><u>48,671,236</u></u>
--------------------------	--------------------------

Effect of dilutive securities:

There were no dilutive potential ordinary shares on issue at balance date, accordingly diluted loss per share has not been disclosed.

2005
\$

2004
\$

19. AUDITORS' REMUNERATION

Amounts received or due and receivable by Stanton Partners for:

– an audit or review of the financial report of the entity

<u>13,950</u>	<u>12,042</u>
<u><u>13,950</u></u>	<u><u>12,042</u></u>

20. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of specified directors and specified executives

(i) Specified directors

Campbell T Ansell	Chairman
Anthony Paul Rovira	Managing Director
Michael John Fowler	Non-Executive Director
John Walter Saleeba	Non-Executive Director

(ii) Specified executives

Dennis Wilkins	Company Secretary
Patrick Manouge	Exploration Manager

Notes continued

30 JUNE 2005

20. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(b) Remuneration of specified directors and specified executives

(i) Remuneration Policy

The objective of the company's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

Non-Executive Directors

The constitution of the company provides that the non-executive directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the company in general meeting (currently \$200,000). The chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Directors Fees

A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs service outside the scope of the ordinary duties of a director. A director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Currently, Campbell T Ansell, Michael J Fowler and John W Saleeba are remunerated by way of directors' fees.

Service Agreements

The agreements relating to remuneration are set out below:

Anthony Rovira, Managing Director:

- Term of agreement - 5 years commencing 16 December 2003.
- Base salary, exclusive of superannuation, of \$210,000 to be reviewed annually by the remuneration committee.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes an amount equal to the amounts due for the balance of the term of the contract from the date of termination.

Dennis Wilkins, Company Secretary/Chief Financial Officer:

- Term of agreement – 3 months notice of termination required.
- Fixed fee, \$6,000 per month.

Patrick Manouge, Exploration Manager:

- Term of agreement – three months notice required by either party.
- Base salary, exclusive of superannuation, of \$120,000 to be reviewed annually by the remuneration committee.
- The agreement can be terminated by giving three months notice.

Retirement Benefits

Other retirement benefits may be provided directly by the company if approved by shareholders.

Notes continued

30 JUNE 2005

20. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(ii) Remuneration of specified directors and specified executives

	Salary & Fees	Primary		Post Employment		Equity	Other	Total
		Cash Bonus	Non Monetary	Superannuation	Retirement benefits	Options	Bonuses	
Specified directors								
Campbell T Ansell								
2005	30,000	-	-	2,700	-	-	-	32,700
2004	30,000	-	-	2,700	-	-	-	32,700
Anthony Paul Rovira								
2005	183,333	-	-	16,500	-	-	-	199,833
2004	92,085	-	-	8,288	-	-	-	100,373
Michael John Fowler								
2005	25,000	-	-	2,250	-	-	-	27,250
2004	18,750	-	-	1,687	-	-	-	20,437
John Walter Saleeba								
2005	25,000	-	-	2,250	-	-	-	27,250
2004	18,750	-	-	1,687	-	-	-	20,437
Total Remuneration: Specified Directors								
2005	263,333	-	-	23,700	-	-	-	287,033
2004	159,585	-	-	14,362	-	-	-	173,947
Specified Executives								
Dennis Wilkins								
2005	72,000	-	-	-	-	-	-	72,000
2004	86,000	-	-	-	-	-	-	86,000
Patrick Manouge								
2005	120,000	-	-	10,800	-	-	-	130,800
2004	55,001	-	-	4,950	-	-	-	59,951
Total Remuneration: Specified Executives								
2005	192,000	-	-	10,800	-	-	-	202,800
2004	141,001	-	-	4,950	-	-	-	145,951

(c) Remuneration options: Granted and vested during the year

No remuneration options were granted during the year. Remuneration options issued in 2004 and vesting during the year were:

	Vested Number	Granted Number	Grant Date	Terms & Conditions for Each Grant			
				Value per option at grant date (\$)	Exercise Price per share (\$)	First Exercise Date	Last Exercise Date
Specified Directors							
Campbell T Ansell	500,000	-	17 Oct 2003	Nil	0.25	1 Dec 2004	30 Nov 2009
Anthony Paul Rovira	2,000,000	-	17 Oct 2003	Nil	0.25	1 Dec 2004	30 Nov 2009
Michael John Fowler	400,000	-	17 Oct 2003	Nil	0.25	1 Dec 2004	30 Nov 2009
John Walter Saleeba	400,000	-	17 Oct 2003	Nil	0.25	1 Dec 2004	30 Nov 2009
Specified Executives							
Dennis Wilkins	-	-		-	-		
Patrick Manouge	200,000	-	19 Jan 2004	Nil	0.25	1 Dec 2004	30 Nov 2009
Total	3,500,000	-					

Notes continued

30 JUNE 2005

20. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(d) Shares issued on exercise of remuneration options

There were no shares issued on exercise of remuneration options during the year.

(e) Option holdings of specified directors and specified executives

	Balance at beginning of year 1 July 2004	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of year 30 June 2005	Vested at 30 June 2005		
						Total	Not exercisable	Exercisable
Specified Directors								
Campbell T Ansell	1,250,000	-	-	-	1,250,000	1,250,000	500,000	750,000
Anthony Paul Rovira	5,000,000	-	-	-	5,000,000	5,000,000	2,000,000	3,000,000
Michael John Fowler	1,000,000	-	-	-	1,000,000	1,000,000	400,000	600,000
John Walter Saleeba	1,000,000	-	-	-	1,000,000	1,000,000	400,000	600,000
Specified Executives								
Dennis Wilkins	-	-	-	-	-	-	-	-
Patrick Manouge	500,000	-	-	-	500,000	500,000	200,000	300,000
Total	8,750,000	-	-	-	8,750,000	8,750,000	3,500,000	5,250,000

(f) Shareholdings of Specified Directors and Specified Executives

	Balance 1 July 2004		Granted as Remuneration		On Exercise of Options		Net Change Other		Balance 30 June 2005	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Specified Directors										
Campbell T Ansell	308,000	-	-	-	-	-	100,000	-	408,000	-
Anthony Paul Rovira	1,200,000	-	-	-	-	-	-	-	1,200,000	-
Michael John Fowler	1,008,000	-	-	-	-	-	-	-	1,008,000	-
John Walter Saleeba	270,000	-	-	-	-	-	-	-	270,000	-
Specified Executives										
Dennis Wilkins	500,000	-	-	-	-	-	-	-	500,000	-
Patrick Manouge	10,000	-	-	-	-	-	-	-	10,000	-
Total	3,296,000	-	-	-	-	-	100,000	-	3,396,000	-

(g) Loans to specified directors and specified executives

There were no loans to specified directors and specified directors during the year.

(h) Other transactions and balances with specified directors and specified executives

Services

DWCorporate, a company of which Mr Wilkins is principal, provided company secretarial and other corporate services to Nickel Australia Limited during the year. The amounts paid were at arms length and are disclosed at note 20b(ii) above.

21. RELATED PARTY DISCLOSURES

Other related party transactions

The company has entered into employment contracts and consultancy agreements with the directors as detailed in note 20.

Refer to note 20 for details on shares and options issued to directors.

Notes continued

30 JUNE 2005

22. SEGMENT INFORMATION

Segment products and locations

The company's operations are in the mining industry in Australia.

Notes continued

30 JUNE 2005

23. FINANCIAL INSTRUMENTS

23(a) Interest rate risk

The company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:						Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		More than 5 years							
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<i>(i) Financial assets</i>														
Cash	7,973,683	12,070,361	-	-	-	-	-	-	484	184	7,974,167	12,070,545	5.7	5.4
Trade and other receivables	-	-	-	-	-	-	-	-	65,578	88,249	65,578	88,249	-	-
Total financial assets	7,973,683	12,070,361	-	-	-	-	-	-	66,062	88,433	8,039,745	12,158,794		
<i>(ii) Financial liabilities</i>														
Trade creditors	-	-	-	-	-	-	-	-	(51,735)	(176,194)	(51,735)	(176,194)	-	-
Other creditors and accruals	-	-	-	-	-	-	-	-	(144,257)	(91,338)	(144,257)	(91,338)	-	-
Total financial liabilities	-	-	-	-	-	-	-	-	(195,992)	(267,532)	(195,992)	(267,532)		

Notes continued

30 JUNE 2005

23. FINANCIAL INSTRUMENTS (cont'd)

23(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at amounts approximating their carrying value.

23(c) Credit risk exposures

Concentrations of credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the statement of financial position and notes to the financial statements.

24. JOINT VENTURE

The company has interests in the following joint ventures:

Joint Venture	Activities	Interest	Carrying Value \$
Bounty	Nickel/Base Metals	Earning 80%	\$614,385
Maggie Hays	Nickel/Base Metals	Earning 55%	NIL
Killaloe	Nickel/Base Metals	Earning 70%	NIL

25. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Nickel Australia Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, the company allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Nickel Australia Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Nickel Australia Limited prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net loss for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

- (a) ongoing work being undertaken due to the AIFRS review;
- (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC, and;
- (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

Notes continued

30 JUNE 2005

25. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (cont'd)

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	The Company	
		30 June 2005**	1 July 2004*
		\$	\$
Total equity under AGAAP		12,354,452	16,440,088
Adjustments to accumulated losses			
Recognition of share-based payment expense	(i)	(284,206)	(114,879)
		(284,206)	(114,879)
Adjustments to contributed equity			
Recognition of share-based payment expense		284,206	114,879
		284,206	114,879
Total equity under AIFRS		12,354,452	16,440,088

* This column represents the adjustments as at the date of transition to AIFRS.

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

- (i) Under AASB 2 (Share-Based Payments), the company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the Income Statement with a corresponding adjustment to equity. Share-based payment costs are not recognised under AGAAP.

(b) Reconciliation of net loss under AGAAP to that under AIFRS

YEAR ENDED 30 JUNE 2005	Notes	The Company
		\$
Net loss as reported under AGAAP		(4,085,636)
Share-based payment expense	(i)	(169,327)
Net loss under AIFRS		(4,254,963)

- (i) Under AASB 2 (Share-Based Payments), the company would recognise the fair value of options issued to employees as remuneration as an expense on a pro-rata basis in the income statement. Share-based payment costs are not recognised under AGAAP. This would result in an increase in operating loss from AGAAP to AIFRS.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

Directors' Declaration

In accordance with a resolution of the directors of Nickel Australia Limited, I state that:

- (1) In the opinion of the directors:
 - (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

On behalf of the board

Anthony Paul Rovira
Managing Director

Perth, 20 September 2005



STANTON PARTNERS

1 HAVELOCK STREET
WEST PERTH 6005
WESTERN AUSTRALIA

TELEPHONE: (08) 9481 3188

Facsimile: (08) 9321 1204

e-mail: australia@stanton.com.au

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF NICKEL AUSTRALIA LIMITED

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash-flows, accompanying notes to the financial statements, and the director's declaration for Nickel Australia Limited (the Company), for the year ended 30 June 2005.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

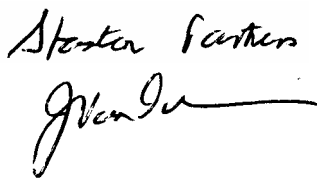
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion, the financial report of Nickel Australia Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2005 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

STANTON PARTNERS



J P Van Dieren
Partner

Perth, Western Australia
20 September 2005



STANTON PARTNERS

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20 September 2005

The Directors
Nickel Australia Ltd
Level 1
30 Richardson St
WEST PERTH WA 6005

Dear Sirs

RE: NICKEL AUSTRALIA LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Nickel Australia Ltd.

As Audit Partner for the audit of the financial statements of Nickel Australia Ltd for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTON PARTNERS

John Van Dieren
Partner

Au:NIC5453/2005IAR

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 6 September 2005.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	Ordinary shares		Preference shares	
	Number of holders	Number of shares	Number of holders	Number of shares
1 - 1,000	48	78,298	-	-
1,001 - 5,000	100	415,530	-	-
5,001 - 10,000	1,103	10,209,259	-	-
10,001 - 100,000	622	23,013,029	-	-
100,001 and over	91	51,283,888	-	-
	1,964	85,000,004	-	-
The number of shareholders holding less than a marketable parcel of shares are:	82	184,012	-	-

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 Croesus Mining NL	15,500,000	18.24
2 Yandal Investment Pty Ltd	5,245,000	6.17
3 ANZ Nominees Limited	2,301,826	2.71
4 Mannwest Group Pty Ltd	1,040,000	1.22
5 Rovira Geoservices Pty Ltd	1,000,000	1.18
6 Delaney Sean	1,000,000	1.18
7 Holmes Michael	1,000,000	1.18
8 Wiechecki Henri	1,000,000	1.18
9 Sancoast Pty Ltd	1,000,000	1.18
10 Fulton James	1,000,000	1.18
11 Fowler Michael	980,000	1.15
12 Hillyard Simon	900,000	1.06
13 Mardon Christopher	880,000	1.04
14 Richard Nicholas Charles	634,022	0.75
15 Coles Norman William	600,000	0.71
16 Hoppmann Smith Super	500,000	0.59
17 Garbutt Natalie	500,000	0.59
18 Paso Holdings Pty Ltd	500,000	0.59
19 Thompson David Ernest	500,000	0.59
20 James Richard Eric	500,000	0.59
	36,580,848	43.08

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
Croesus Mining NL	15,500,000
Yandal Investments Pty Ltd	5,245,000

ASX Additional Information continued

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
Noresman	M63/180	100
Noresman	M63/182	100
Noresman	M63/46	100
Noresman	M63/49	100
Noresman	M63/259	100
Noresman	E63/317	100
Noresman	M63/127	100
Noresman	M63/128	100
Noresman	M63/88	100
Noresman	M63/287 (P)	100
Noresman	M63/288 (P)	100
Noresman	M63/288 (P)	100
Noresman	M63/289 (P)	100
Noresman	M63/314 (P)	100
Noresman	M63/342 (P)	100
Noresman	M63/343 (P)	100
Noresman	M63/344 (P)	100
Noresman	M63/345 (P)	100
Noresman	M63/343 (P)	100
Noresman	E63/336	100
Noresman	M63/190	100
Noresman	M63/207	100
Noresman	M63/830	100
Noresman	M63/324 (P)	100
Noresman	M63/353 (P)	100
Noresman	M63/384 (P)	100
Noresman	M63/382 (P)	100
Noresman	M63/383 (P)	100
Noresman	M63/114	100
Noresman	M63/141	100
Noresman	M63/142	100
Noresman	M63/174	100
Noresman	M63/220	100
Noresman	M63/258	100
Noresman	E63/345	100
Noresman	M63/274	100
Noresman	M63/542 (P)	100
Noresman	M63/120	100
Noresman	M63/122	100
Noresman	M63/133	100
Noresman	M63/42	100
Noresman	M63/321	100

ASX Additional Information continued

Noresman	M63/285 (P)	100
Noresman	M63/313 (P)	100
Noresman	M63/337 (P)	100
Noresman	M63/64	100
Noresman	M63/65	100
Noresman	M63/66	100
Noresman	M63/67	100
Noresman	M63/116	100
Noresman	M63/61	100
Noresman	M63/63	100
Noresman	M63/184	100
Noresman	M63/214	100
Noresman	M63/218	100
Noresman	M63/219	100
Noresman	M63/26	100
Noresman	M63/265	100
Noresman	M63/44	100
Noresman	M63/48	100
Noresman	M63/50	100
Noresman	M63/52	100
Noresman	M63/53	100
Noresman	M63/54	100
Noresman	M63/60	100
Noresman	P63/1193	100
Noresman	P63/1194	100
Noresman	P63/1196	100
Noresman	P63/1197	100
Noresman	P63/1198	100
Noresman	P63/1199	100
Noresman	M63/51	100
Noresman	M63/134	100
Noresman	EL4882 (P)	100
Davyhurst	E30/80	100
Davyhurst	E30/161	100
Davyhurst	E30/928	100
Davyhurst	E30/160 (P)	100
Davyhurst	E30/162 (P)	100
Davyhurst	E30/261	100
Davyhurst	E30/122	100
Davyhurst	E30/123	100
Davyhurst	E30/1160 (P)	100
Davyhurst	E30/161	100
Davyhurst	E30/1675 (P)	100
Beete Project	E63/826 (P)	100
Beete Project	E63/827	100
Splinter	E63/869	100
Davyhurst	E63/870	100
Davyhurst	E63/853	100
Bounty	M77/1065	80
Bounty	M77/1066	80
Bounty	M77/1067	80

ASX Additional Information continued

Bounty	M77/1068	80
Bounty	M77/1080	80
Bounty	G77/110	80
Bounty	G77/109	80
Bounty	L77/194	80
Bounty	L77/193	80
Maggie Hays South	P63/1203	55
Maggie Hays South	P63/1204	55
Maggie Hays South	P63/1205	55
Maggie Hays South	P63/1206	55
Maggie Hays South	P63/1207	55
Maggie Hays South	P63/1208	55
Maggie Hays South	P63/1209	55
Mexico	224717	75
Mexico	224718	75
Mexico	224719	75
Mexico	221513	75
Mexico	222952	75
Mexico	211119	75
Mexico	220663	75
Mexico	224783	75
Mexico	218062	75
Mexico	218063	75
Mexico	225314	75
Mexico	222873	75
Mexico	225057	75
Mexico	225058	75
Mexico	219481	75
Mexico	219482	75
Mexico	220716	75
Mexico	225315	75
Mexico	225402	75
Mexico	225390	75
Killaloe	E63/722	70
Killaloe	E63/765	70
Killaloe	P63/1131	70
Killaloe	P63/1132	70
Killaloe	P63/1133	70
Killaloe	P63/1172	70
Killaloe	P63/1173	70
Killaloe	P63/1174	70
Killaloe	M63/573(P)	70
Killaloe	M63/574(P)	70
Killaloe	M63/575(P)	70
Killaloe	M63/576(P)	70
Killaloe	M63/584(P)	70
Killaloe	M63/585(P)	70
Killaloe	M63/586(P)	70
Killaloe	M63/587(P)	70
Killaloe	M63/588(P)	70
Killaloe	M63/589(P)	70

ASX Additional Information continued

Killaloe	M63/590(P)	70
Killaloe	M63/591(P)	70
Killaloe	M63/603(P)	70
Killaloe	M63/604(P)	70