



Nickel Australia Limited

ABN 46 106 346 918

22 November 2006

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

Dear Sir,

RE: SPLINTER 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

22 November 2006

SPLINTER EXPLORATION UPDATE

SUMMARY

Nickel Australia Limited (ASX: **NKL**) is pleased to report on exploration progress within its 100%-owned Splinter project.

Highlights include:

- **Davis Tube Recovery (DTR) metallurgical testwork reports positive results, with the magnetite concentrate returning iron grades up to 66.5% Fe.**
- **Petrological study indicates strong secondary magnetite mineralisation relates to a large IOCG (Iron Oxide Copper Gold) alteration system.**
- **Reverse Circulation (RC) drill testing of the high priority Northern Hinge Zone will commence this week.**

DETAILS

The Splinter project (100% owned by Nickel Australia) is located approximately 120 kilometres northeast of the port of Esperance, in Western Australia. The property comprises four granted Exploration Licences covering 840km².

As announced in October, diamond drilling by Nickel Australia identified a large banded iron formation (BIF) containing multiple iron-rich magnetite zones.

Samples of magnetite-rich drill core from Splinter were submitted to Amdel Laboratories in Perth for preliminary metallurgical testwork using the Davis Tube Recovery (DTR) technique. Results are very positive with the magnetite concentrate returning iron grades in the range 60.8 - 66.5% Fe (average 63.5% Fe), using a grind size of 100% passing 45µm.

Importantly, the DTR concentrate contained average impurity levels of only 2.8% SiO₂, 2.5% Al₂O₃ and 0.03% P. These results compare favourably with other Western Australian magnetite projects. Table 1 contains Davis Tube Recovery testwork results.

An RC drill program, commencing this week, will follow up these promising intercepts by targeting the high priority Northern Hinge Zone, where folding has increased the thickness of the magnetite sequence. The program will comprise a fence of angled holes drilled to 200 metres depth.

TABLE 1
DAVIS TUBE RECOVERY TESTWORK RESULTS

Sample	Fe %	TiO ₂ %	SiO ₂ %	Al ₂ O ₃ %	CaO %	P %	S %	LOI %
K121331	63.65	4.21	3.05	2.16	0.70	0.02	1.74	-2.14
K121333	63.74	3.81	1.85	2.75	0.32	0.01	0.87	-2.68
K121334	62.73	3.81	1.92	2.77	0.18	0.01	0.67	-2.82
K121336	62.90	3.80	2.54	2.96	0.33	0.02	0.87	-2.55
K121341	60.82	3.98	4.80	3.21	0.66	0.03	1.08	-2.59
K121371	63.93	3.63	3.47	2.14	0.75	0.10	0.30	-2.98
K121401	66.47	2.23	2.45	1.55	0.42	0.02	1.40	-2.01
AVERAGE	63.46	3.64	2.87	2.51	0.48	0.03	0.99	-2.54

*Note: Davis Tube Separation Test Work completed by Amdel Ltd, Perth Western Australia.
Concentrate grind size of P₁₀₀45µm, indicating 100% of the material passed through a 45µm screen.
Analyses by Amdel Ltd using the X-Ray Fluorescence Spectrometry Method.*

Aeromagnetic data interpretation indicates the Splinter BIF forms an eight kilometre long antiform. The magnetite-rich units occur on both limbs of the fold, potentially giving a total strike length of 16 kilometres. The greatest thickness occurs in the fold noses, particularly in the Northern Hinge Zone which is the target for the new RC drill program.

COPPER POTENTIAL

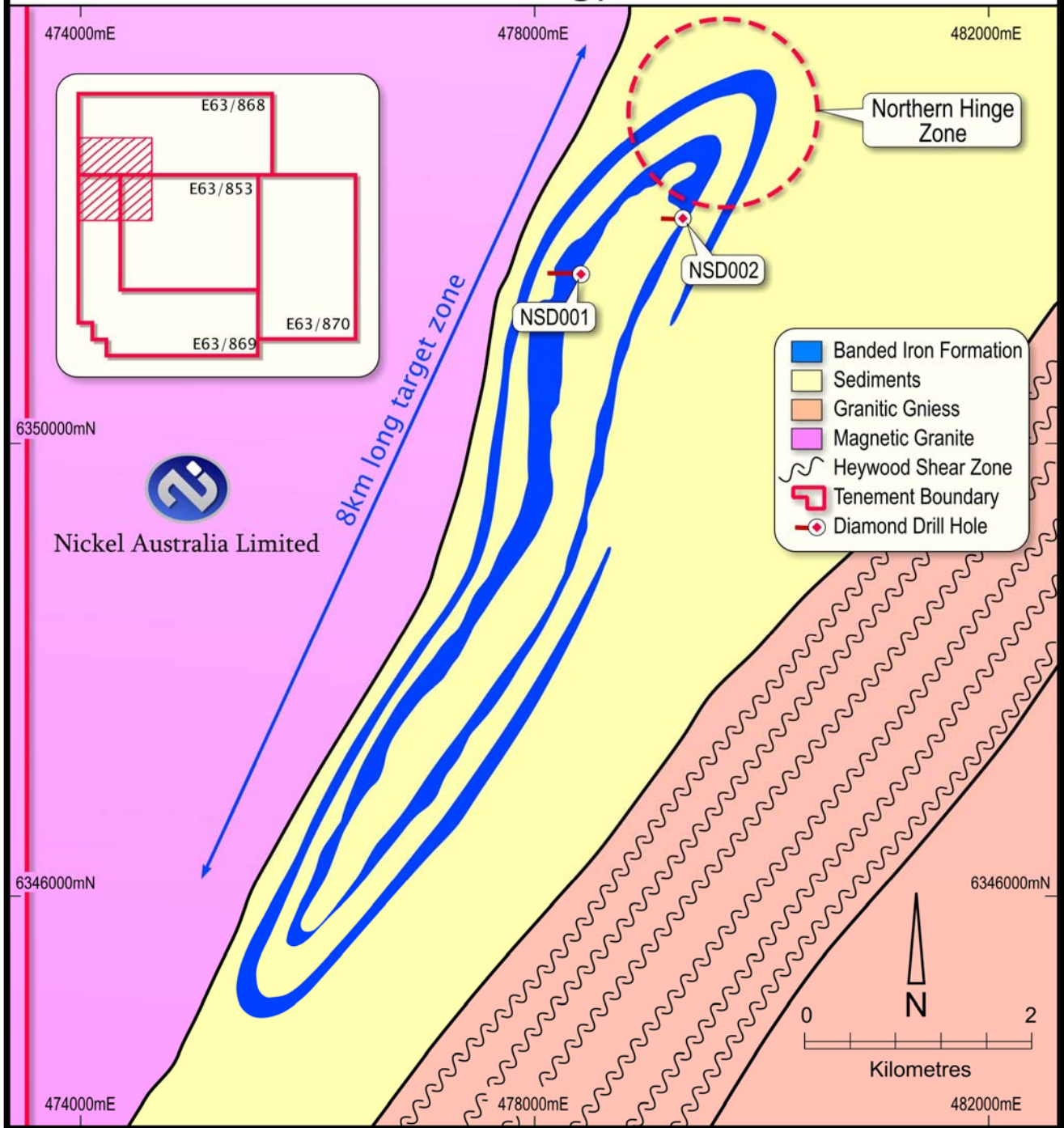
Recently, a petrology study (microscopic mineral identification) was completed at James Cook University in Queensland on 21 samples of the Splinter drill core. This determined that the rock sequence has undergone intense alteration and deformation processes, which introduced a strong secondary magnetite overprint and chalcopyrite (copper sulphide: CuS₂) mineralisation, indicative of a large IOCG system. A total of 17 of the 21 samples contained chalcopyrite mineralisation.

The Splinter alteration assemblage is very similar to the alteration associated with several of the Cloncurry (Queensland) IOCG copper mines, including Ernest Henry and Osborne. Consequently, Splinter is also considered to be highly prospective for IOCG-style copper mineralisation.

For further information, please contact Tony Rovira on 08 9481 2555

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.

Splinter Project Geology



Splinter Project – Detailed Geology