



Nickel Australia Limited

ABN 46 106 346 918

28 April 2006

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

Dear Sir,

RE: THIRD QUARTER ACTIVITY REPORT

We lodge herewith a copy of the Company's Quarterly Report for the period ending 31 March 2006.

Yours faithfully,

Tony Rovira
Managing Director

Encl.



Nickel Australia Limited

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QUARTERLY ACTIVITY REPORT For The Period Ended 31 March 2006

HIGHLIGHTS

- Drilling commences in Mexico.
- High grade gold & silver mineralisation intersected at **Tabisco** (Mexico).
 - 1.7m @ 22.0g/t Au & 332g/t Ag
 - 4.0m @ 4.00g/t Au & 144g/t Ag
 - 1.2m @ 5.77g/t Au & 849g/t Ag
- Porphyry system with strong base metal sulphide mineralisation intersected at **Jagüey** (Mexico).
- Diamond and aircore drilling at the **Monarch** (Norseman) project returned further anomalous PGM (platinum and palladium) grades.
- Share options issued to employees of the Company.
- The Company's available cash at the end of the March Quarter was **\$4.9** million.

DETAILS

MEXICO (NKL earning 75% from Geoinformatics Exploration Inc)

During the quarter, Nickel Australia continued its extensive exploration program on its gold, silver, copper and molybdenum projects in Mexico. This work included commencement of diamond core and Reverse Circulation (RC) drilling programs, completion of an Induced Polarisation (IP) geophysical survey, geological mapping and geochemical sampling.

Tabisco

Three diamond core holes were completed at the Tabisco project for a total of 587.5 metres. These holes targeted the 1,000 metre long, epithermal vein system between two strongly altered lithocaps. The holes were drilled on the same cross section and quartz veining was intersected in all three holes over a vertical extent of 200m. The first hole intersected several zones of high grade gold and silver mineralisation within the quartz veining, while the second and third holes returned lower grades, although still containing significant gold and silver mineralisation. Better intercepts include the following results.

TABISCO PROJECT – SIGNIFICANT DIAMOND DRILL INTERCEPTS

Hole No	North (m)	East (m)	Dip / Azimuth	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	AuEq (g/t)
TABDD - 01	3 303 750	623 636	-50°/300°	16.1	17.8	1.7	22.0	382	28.4
				27.0	31.0	4.0	4.00	144	6.40
				66.8	68.1	1.3	5.77	849	19.9
TABDD - 02	3 303 751	623 636	-70°/300°	28.4	29.9	1.5	0.98	18.8	1.30
				44.4	46.9	2.5	1.09	69.2	2.24
TABDD - 03	3 303 705	623 650	-75°/302°	166.8	168.3	1.5	1.73	114	3.60

*NOTE: Samples assayed at ALS Chemex (Vancouver) using method GRA21 (gold) & AA46 (silver)
Drill intercepts calculated as weighted averages using a 1.0g/t AuEq cut-off and no top cut
AuEq (gold equivalent) grade has been calculated using gold to silver price ratio of 1:60*

Following the completion of these three drill holes, the diamond drill rig was mobilised to the Jagüey project. An RC drill rig was then mobilised to Tabisco where three holes are being drilled. These holes are designed to test for porphyry-style copper-gold-molybdenum mineralisation beneath the leached lithocaps located adjacent to the quartz vein system. Each hole will be drilled to depths of 250-300m. This drilling is currently in progress.

Jagüey

Work at Jagüey comprised completion of the Induced Polarisation (IP) survey and commencement of diamond drilling. Four IP lines (at 250m spacing) were surveyed over the northern part of a large porphyry alteration system. This forms a strongly altered and geochemically anomalous lithocap with dimensions of at least 4km x 1km. The survey was undertaken to detect disseminated sulphides associated with a mineralised porphyry system. Two chargeability anomalies were identified.

Anomaly A is a very strong anomaly. It occurs on the southern two lines and is located in the southwest corner of the IP grid. It is open to the west, south and north, and is interpreted to represent part of a large body of disseminated sulphide mineralisation. The IP anomaly is concentric in form, with a very strong chargeability zone in the centre, surrounded by a moderately anomalous outer halo.

A second anomaly (Anomaly B) is located in the centre of the IP grid. It is a relatively weaker chargeability anomaly associated with strong phyllic alteration, and is interpreted to represent a fault zone with minor sulphide mineralisation. The first diamond core hole, (JAGDD-01; 250m total depth) tested the Anomaly B. It intersected strongly altered volcanic rocks containing minor pyrite, sphalerite and galena. Assays up to 1% combined lead and zinc were returned.

The second and third holes, (JAGDD-02 & JAGDD-03; each 250m total depth) targeted the outer halo of the IP anomaly. These two holes intersected altered volcanic and porphyry rocks containing quartz veining, and pyrite and base metal (lead and zinc) sulphide mineralisation, indicative of the periphery of a mineralised porphyry system. Assays returned anomalous grades up to 0.5g/t gold, 30g/t silver and 2% combined lead and zinc.

The central zone, and strongest part, of the IP anomaly was tested by two holes (JAGDD-04 & JAGDD-05; each drilled to 350m total depth). Both holes intersected intensely altered porphyry and volcanics containing stockwork quartz veining, veins of massive base metal sulphides, and zones of moderate to abundant disseminated sulphide mineralisation. Base metal sulphides observed in the core were mostly galena and sphalerite, with minor chalcopyrite. Further information regarding these drill holes will be released once geological logging has been completed and assays have been received.

These initial results from Jagüey are very exciting and this is considered to be a high priority target with excellent potential for containing a porphyry-hosted, copper-gold-lead-zinc deposit of significant size. The next stage of exploration of this prospect will initially comprise extending the IP survey for a further three kilometres to the south, where geological mapping has identified a continuation of the porphyry system with much more intense alteration. Further diamond core drilling will then commence testing this system in July.

Cardelena

The soil sampling program carried out at **Cardelena** in late-2005 identified two strong gold anomalies. These anomalies are defined by the 100ppb Au threshold and they occur as parallel zones, each extending over 800m in length and 250m in width. Several of the soil samples returned very high grade gold values, including **1.64g/t Au**, **1.57g/t Au** and **0.91g/t Au**, which are much higher assays than would usually be expected to be returned from a first-pass soil sampling program.

In addition, a hole drilled previously by Kennecott Exploration near one of these soil anomalies returned **32m @ 0.3g/t Au** from surface and a deeper intercept of **2m @ 7.7g/t Au**. This confirms the presence of primary, bedrock-hosted, mineralisation in the vicinity of the soil anomalies, and highlights this project's potential for hosting substantial near surface gold mineralisation.

Drilling at Cardelena will initially comprise four RC holes, with two into each of the soil anomalies, for a total of 800 metres. This drilling will commence upon the completion of the RC drilling at Tabisco.

Adriana

Drilling at **Adriana** will comprise one deep (300m) RC hole to test for high grade extensions to a previously identified zone of moderate porphyry copper mineralisation.

San Juan

One diamond core drill hole was completed at **San Juan** to a depth of 350 metres targeting silver-rich epithermal vein deposits. The drill hole intersected numerous quartz veins however only minor silver grades were returned. Results of the overall exploration program are currently being evaluated and the status of the San Juan project will be determined upon completion of this review.

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. The agreement provides a low-risk exposure to an under-explored world class mineral province for relatively inexpensive entry expenditure.

The Managing Director of Nickel Australia is currently in Mexico visiting the projects and reviewing progress. Upon completion of this visit, an Exploration Update will be released.

NORSEMAN (NKL 100% of Nickel Rights)

A drilling program comprising diamond core and aircore drilling was undertaken on the **Monarch platinum-palladium-nickel-copper** project at Norseman during the March Quarter. Nickel Australia owns 100% of the Nickel Rights for this project, which include all commodities except gold and silver. Monarch is located on two granted Mining Leases (M63/46 and M63/49). To date, Nickel Australia has completed four aircore drilling programs, totalling 211 holes and 9,860 metres, and three deep and 10 shallow diamond drill holes on this project.

The diamond core component of the recently completed program comprised one deep hole and 10 shallow holes. The deep hole (370m) was drilled to test the primary zone directly beneath the highest grade part of the PGM anomaly. The core contained moderate amounts of disseminated sulphide mineralisation throughout the length of the hole, and returned numerous anomalous platinum and palladium grades up to a maximum of 0.4g/t PGM (combined Pt + Pd), together with anomalous nickel and copper values.

The 10 short holes (totalling 114m) were drilled as extension tails on a line of aircore holes on section 6447000mN. Each hole was drilled 10 to 20 metres into fresh rock. This program collected a complete section of samples across the layered mafic-ultramafic intrusion, enabling the company to undertake a comprehensive geochemical and geological analysis of the Mission Sill for the first time. This will provide a greater understanding of the geological characteristics and mineralisation controls within this formation.

The aircore component (21 holes for 1,223m) was successful in providing increased definition of the largest and highest grade anomaly outlined by previous drilling in 2005. Using a threshold of >1g/t PGM, this high grade anomaly extends over a 300 x 50 metres zone, within an overall 1,600 x 300 metre anomaly (>0.1g/t PGM threshold).

The results indicate that during the weathering process platinum and palladium have been remobilised from a primary zone of mineralisation into the weathered zone. Further exploration is required in order to focus the exploration on the primary host sequence, and to this end the Company has engaged a consultant geologist, who specialises in PGM exploration, to review the data and propose further work.

CORPORATE

Share Options

During the March Quarter, Nickel Australia advised that it had finalised the terms and conditions of an allotment of incentive options to the company's employees. The Board of Directors resolved on Wednesday 1st February 2006 to issue a total of 3 million options to existing employees and

contractors of the company in three equal tranches with various vesting dates, expiry dates and exercise prices (17.5, 25 and 35 cents per share). The average closing price of NKL shares during the week of issue was 12.5 cents per share.

The issue of these options equates to approximately 3.5% of the company's existing issued capital. Details are contained in the table below.

TRANCHE	EXERCISE PRICE	LIFE OF OPTIONS	VESTING DATE	EXPIRY DATE
Tranche 1	\$0.175	5 Years	1 February 2006	31 January 2011
Tranche 2	\$0.25	5 Years	1 February 2007	31 January 2012
Tranche 3	\$0.35	5 Years	1 February 2008	31 January 2013

Of the 3 million options to be issued, the directors proposed to issue 1.5 million options to the company's Managing Director, Mr Tony Rovira. This allocation is subject to shareholder approval which will be sought at the next general meeting of the company. The issue of the options to the Managing Director is subject to meeting certain Key Performance Indicators, and will be on the same terms and conditions and in equivalent tranches as disclosed above.

Released by Tony Rovira
 Managing Director
 Nickel Australia Ltd
 28 April 2006

The information in this report that relates to Exploration Results is based on information compiled by Mr Tony Rovira, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Rovira is a full-time employee of Nickel Australia Ltd. Mr Rovira has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Rovira consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

