Nickel Australia Limited

ABN 46 106 346 918

28 October 2005

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

Dear Sir,

RE: FIRST QUARTER ACTIVITY REPORT

We lodge herewith a copy of the Company's Quarterly Report for the period ending 30 September 2005.

Yours faithfully,

Tony Rovira
Managing Director

Encl.

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QUARTERLY ACTIVITY REPORT

For The Period Ended 30 September 2005

HIGHLIGHTS

- Highly anomalous grades of nickel, copper and Platinum Group Metals returned from aircore drilling at the Monarch project.
- Diamond drilling at Monarch confirms primary nickel sulphide, copper sulphide, platinum and palladium mineralisation in a layered mafic-ultramafic intrusion.
- Aircore drilling at the Davyhurst project returns anomalous nickel, copper and Platinum Group Metals. An electromagnetic conductor is located adjacent to the geochemical anomaly.
- Davyhurst anomaly occurs in the same ultramafic unit as the nearby Riverina nickel sulphide body discovered by the Barra Resources / Riverina Resources JV.
- Key exploration Joint Venture and Strategic Alliance in northern Mexico announced with Canadian-listed Geoinformatics Exploration Inc.
- Field exploration commences on three projects in Mexico.
- The Company's available cash at the end of the September Quarter was $7.2 million.

DETAILS

NORSEMAN (NKL 100% of Nickel Rights)

An intensive exploration program was undertaken at Norseman during July and August. This comprised aircore drilling (43 holes for 1,996m), diamond core drilling (2 holes for 514m), and surface and downhole electromagnetic surveys.

Significant and highly anomalous values of nickel, copper and Platinum Group Metals (PGM's) were intersected in both the aircore and the diamond drilling. This mineralisation was present in the weathered zone and as visible sulphide mineralisation in fresh rock.

The mineralisation occurs within an ultramafic unit forming part of a large layered mafic-ultramafic intrusive complex known as the Mission Sill. A continuous zone of anomalous geochemistry extends more than one kilometre in length and up to 250 metres in width. While current drilling has not defined the limits of the anomalous zone, the Mission Sill is known to have overall dimensions of at least 5km x 1km.

The aircore drilling returned numerous anomalous intercepts up to 60 metres in drilled widths. Some of the better intercepts are shown in Table 1.

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TABLE 1 - MONARCH PROJECT – SIGNIFICANT AIRCORE DRILL RESULTS

Hole No	North (MGA)	East (MGA)	From (m)	To (m)	Interval (m)	Ni (%)	Cu (ppm)	Pt + Pd (ppb)
NNA 578	6448400	379650	4	16	12	0.28	399	143
NNA 585	6448000	379500	40	41 *	1	0.14	1360	555
NNA 589	6448000	379650	12	32	20	0.36	303	110
NNA 590	6448000	379700	16	40	24	0.19	538	125
NNA 591	6448000	379750	4	32	28	0.11	525	166
NNA 592	6448000	379800	4	28	24	0.08	415	235
NNA 597	6447600	379550	4	20	16	0.25	172	132
NNA 598	6447600	379600	4	60	56	0.43	236	124
NNA 599	6447600	379650	16	76	60	0.41	195	115
NNA 600	6447600	379700	28	84	56	0.35	245	119
NNA 601	6447600	379750	36	52 *	16	0.17	1049	435
NNA 602	6447600	379800	44	60	16	0.17	340	183
NNA 608	6447400	379600	56	88	32	0.28	406	233

All holes drilled at an inclination of -60 degrees towards 270 degrees. ** End of Hole*
Holes drilled at 50m intervals on 200m spaced lines
Samples assayed using a mixed acid digest with an optical emission spectrometry determination

Two diamond holes (NND019 & NND020) were drilled as follow-up to the aircore program, and successfully intersected primary sulphide mineralisation. Anomalous nickel, copper, platinum and palladium values ranging up to **0.24% Ni, 0.14% Cu and 0.58g/t PGM (Pt + Pd)** were returned. Importantly, there are also several zones containing elevated PGM grades, including a best intercept of **22m @ 0.15g/t PGM from 146.0 – 168.0m** in NND019. These PGM intercepts are significant as they highlight the prospectivity of the Mission Sill to host platinum and palladium mineralisation.

The nickel and copper mineralisation occurs as disseminated sulphides hosted in pyroxenitic horizons of the layered complex. Petrological study identified the nickel sulphide mineralisation as pentlandite and mackinawite, and the copper sulphide mineralisation as chalcopyrite, bornite and chalcocite. Native copper is also present.

This sulphide mineralisation is hosted internally within the intrusive body. Nickel-copper orebodies contained in similar layered mafic-ultramafic intrusive complexes elsewhere in the world are usually hosted adjacent to the basal contact zone. The objective of the next phase of exploration will be to delineate the margins of the intrusive body, in particular the basal contact zone, and to identify potential structural trap sites and feeder zones.

An intensive follow-up exploration program commenced during October. It includes infill and extension aircore drilling, diamond drilling, downhole electromagnetic surveys, and will trial alternative geophysical exploration techniques.

NOTE
NND019 (6448000mN / 379700mE; -60^o / 270^o) was drilled to a depth of 301m.
NND020 (6448000mN / 379550mE; -60^o / 270^o) was drilled to a depth of 213m.
Samples were assayed using a mixed acid digest with an optical emission spectrometry determination

DAVYHURST (NKL 100% of Nickel Rights)

Nickel Australia commenced field exploration on the Davyhurst project during the September Quarter. The Davyhurst project area contains several north-south striking ultramafic units, including the southern extension of the Riverina ultramafic which hosts the nickel sulphide mineralisation recently discovered by the Riverina JV (Barra Resources 30% / Riverina Resources 70%).

The Riverina discovery is located 2.4km north of Nickel Australia's property boundary. It contains a high grade drill intercept of 0.37m @ 10.88% Ni in massive nickel sulphides and several wide intercepts of lower grade disseminated nickel sulphides. Within Nickel Australia's Davyhurst property, the Riverina ultramafic has a strike extent of over five kilometres.

Nickel Australia's initial exploration program focused on the Riverina ultramafic and comprised reconnaissance aircore drilling (91 holes for 4,448 metres) and surface electromagnetics (TEM). Drilling intersected anomalous values of nickel, copper and PGM's. Significant drill results are shown in Table 2.

TABLE 2 - DAVYHURST PROJECT – SIGNIFICANT AIRCORE DRILL RESULTS

Hole No	North (MGA)	East (MGA)	From (m)	To (m)	Interval (m)	Ni (%)	Cu (ppm)	Pt + Pd (ppb)
NDA 003	6703100	264350	37	54	17	0.20	1112	138
NDA 005	6703100	264375	30	50*	20	0.48	502	97
including			47	50*	3	0.62	404	118
NDA 009	6702830	264350	21	22	1	1.06	241	90
NDA 087	6702830	264375	26	42	16	1.00	400	57
including			35	38	3	1.41	456	82
NDA 025	6702150	264400	32	33	1	1.21	1360	120
NDA 084	6702150	264425	29	30	1	1.15	273	45

All holes drilled at an inclination of -60 degrees towards 270 degrees. ** End of Hole*
Holes drilled at 25m - 50m intervals on 200m – 400m spaced lines
Samples assayed using a mixed acid digest with an optical emission spectrometry determination

The geochemical anomaly occurs in weathered ultramafics over a one kilometre strike length (6703100mN – 6702150mN). It remains open to the north, potentially for a further 200 metres to the tenement boundary of Barra Resources' Riverina JV property.

The electromagnetic survey commenced at the northern tenement boundary, and progressed south. One very strong conductor was identified on three survey lines, extending for at least 400 metres south from the tenement boundary. It lies adjacent to the footwall contact of the ultramafic horizon and is coincident with the geochemical anomaly.

Nickel Australia is very encouraged by this early success at Davyhurst. The identification of good geochemical anomalism in association with a strong electromagnetic conductor, together with the recent discovery nearby of high grade massive nickel sulphides, confirms that this ultramafic is fertile and prospective for hosting nickel sulphide mineralisation.

Exploration will recommence at Davyhurst when the Company has completed an aboriginal heritage survey and approval has been granted by the Department of Indigenous Affairs and the Mines Department. The program will comprise deep Reverse Circulation drilling to test the TEM conductor and geochemical anomaly for primary nickel sulphide mineralisation. Additional aircore drilling will also be carried out to follow-up other occurrences of geochemical anomalism and TEM conductors identified further to the south on the Riverina ultramafic.

MEXICO (NKL earning 75% from Geoinformatics Exploration Inc)

In July 2005 Nickel Australia announced a significant new international exploration and growth opportunity in Mexico, comprising a strategic alliance and joint venture with Canadian-listed Geoinformatics Exploration Inc. The agreement provides a low-risk exposure to an under-explored world class mineral province for relatively inexpensive entry expenditure.

The agreement covers the Mexican states of Sonora and Chihuahua - an area of approximately 430,000km^2. Importantly, it gives the company considerable exposure to the globally significant Porphyry Copper Belt of northern Mexico. This district is renowned for its world-class porphyry copper-gold-molybdenum and epithermal gold-silver mines.

The exploration joint venture consists of Geoinformatics' existing exploration portfolio of 13 gold, silver and copper projects. Together these projects cover an area in excess of 600km^2. They are located throughout the Porphyry Copper Belt and in some cases close to existing or historic mining

operations. The projects host significant occurrences of epithermal gold-silver and porphyry copper-gold-molybdenum mineralisation.

Nickel Australia has an established office in Hermosillo, the capital of Sonora, staffed with technical and support personnel. Exploration commenced in September with surface geochemical sampling and geological mapping underway at the San Juan, Tabisco and Jaguey projects.

Assays from the first phase of soil and rock chip sampling have been received. Significant results include up to **10.65g/t Au** and **655g/t Ag** from Tabisco, **1570g/t Ag** and **2.7% Pb** from San Juan, and **2.02% Cu** from Jaguey. Drilling programs have been designed for all three of these projects.

This strategic move into Mexico not only includes the exploration joint venture over Geoinformatics' existing projects, but also gives Nickel Australia first rights to all future projects within Sonora and Chihuahua that Geoinformatics derives through its alliance with Kennecott Exploration Company (the North American subsidiary of Rio Tinto Plc). Thereby Nickel Australia has the opportunity to review a continuous pipeline of projects generated by Kennecott and Geoinformatics, with the right to acquire those projects the company considers prospective.

Mexico has been a favoured destination for exploration companies, particularly from North America, since the country's mining industry was opened to competition when the North American Free Trade Agreement with the United States and Canada was launched in January 1994. It is a stable country, with low political risk, a well-established mining culture, and a substantial population of locally experienced geoscientists and technical support staff.

KILLALOE (NKL earning 70% from Cullen Resources Ltd)

Nickel Australia will commence exploration on the Killaloe project in November. Initial work will comprise a six week program of surface electromagnetic surveying designed to follow-up and better define electromagnetic conductors identified by previous surveys. Following completion of the EM survey, an extended program of geochemical sampling, geological mapping and aircore drilling will be undertaken.

The Killaloe project area has good exposure of the prospective ultramafic units, and previous exploration identified the presence of numerous gossans containing highly anomalous geochemistry. These gossans are located in favourable geological settings, with several having electromagnetic conductors located nearby, however most remain to be drill tested. These will undergo aircore drilling to confirm the orientation and definition of the target zones prior to deep Reverse Circulation and diamond drilling.

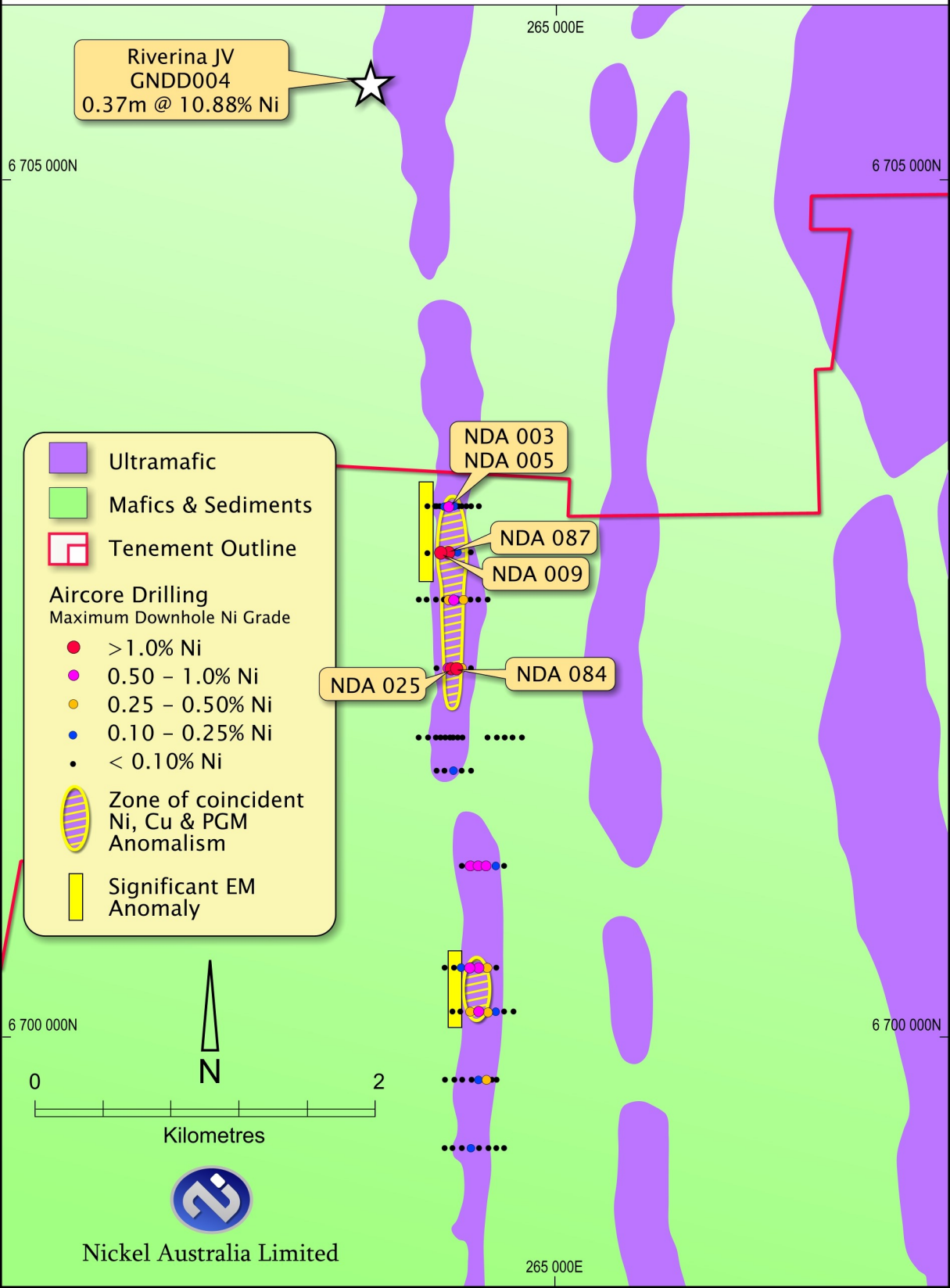
The presence of strong geochemical and geophysical anomalies located near basal stratigraphic contacts indicates the Killaloe project is very prospective for hosting significant nickel sulphide mineralisation, and Nickel Australia is well positioned to significantly advance this project.

Released by Tony Rovira
Managing Director
Nickel Australia Ltd
28 October 2005

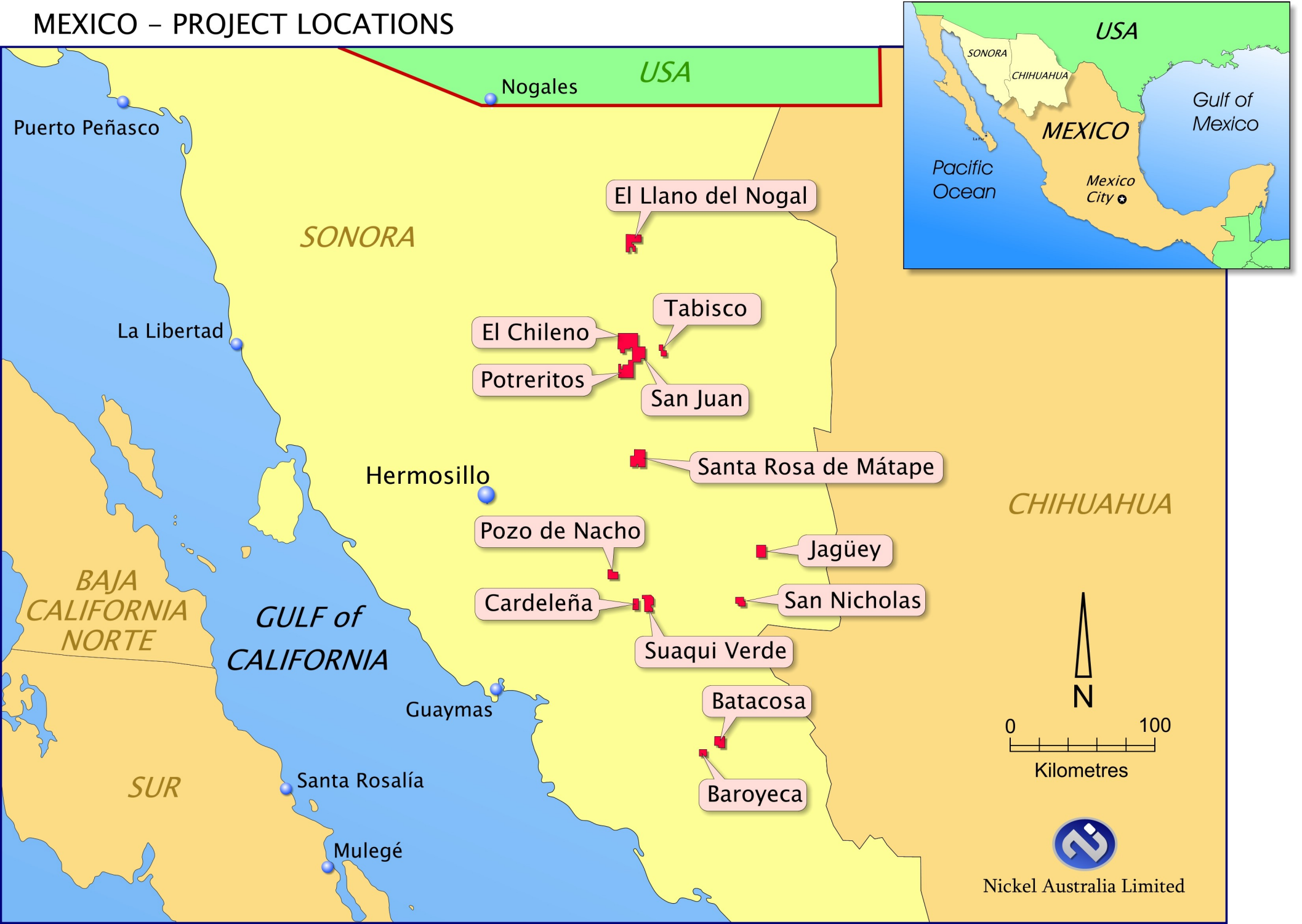
The information in this report that relates to Exploration Results is based on information compiled by Mr Tony Rovira, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Rovira is a full-time employee of Nickel Australia Ltd. Mr Rovira has sufficient experience which is relevant 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.

Davyhurst Project

Geology and Aircore Geochemistry



MEXICO – PROJECT LOCATIONS



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