Nickel Australia Limited

ABN 46 106 346 918

15 November 2006

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

Dear Sir

RE: HIGH GRADE MOLYBDENUM INTERSECTED IN MEXICO

We enclose herewith a copy of an announcement in relation to the above.

Yours faithfully,

Tony Rovira
Managing Director

Encl.

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ABN 46 106 346 918

ANNOUNCEMENT **15 November 2006**

HIGH GRADE MOLYBDENUM INTERSECTED

- **Molybdenum-copper mineralised system discovered at Pozo de Nacho (Mexico).**
- **Significant molybdenum mineralisation present in all holes drilled.**
- **Mineralisation intersected over a strike length of 1.2km and open along strike and at depth.**
- **A highest value of 0.75% MoS_2 over one metre returned.**
- **Intersections include:**
  - **PDN-DD-01 5.5m @ 0.11% MoS_2 from 169.5m**
  - **PDN-DD-01 5.0m @ 0.21% MoS_2 from 280.0m**
  - **PDN-DD-01 0.8m @ 0.18% MoS_2 from 356.0m to End of Hole**
  - **PDN-RC-02A 198.1m @ 0.06% MoS_2 from 1.5m to End of Hole.**

Nickel Australia Limited (ASX: **NKL**) is pleased to advise that, following its recent discovery of high grade copper-silver mineralisation at Potreritos where grades up to 8.5% copper and 57g/t silver were intercepted, recent Reverse Circulation (RC) and diamond drilling at its Pozo de Nacho project has identified a strongly mineralised porphyry system containing extensive molybdenite (molybdenum sulphide: MoS_2) mineralisation.

Mineralisation presents as veins and coarse accumulations and is visible in both RC drill chips and drill core, as shown in Photo 1 below. A highest value of **0.75% MoS_2** over one metre was returned. In addition, anomalous grades of copper, silver and tungsten were intersected.

Photo 1: Molybdenite enveloping a quartz-chlorite vein

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DETAILS

Pozo de Nacho is located approximately 100 kilometres southeast of Hermosillo (the capital of Sonora State) on the western edge of the highly mineralised Sierra Madre Occidental region (Figure 1). The district contains several large molybdenum deposits, including the Cumobabi mine (46.5Mt @ 0.2% MoS_2) and the El Creston deposit (100Mt @ 0.16% MoS_2).

Nickel Australia drilled two diamond holes (totalling 573m) and four RC holes (totalling 532m) at Pozo de Nacho. The program tested a large copper and molybdenum surface anomaly coincident with an IP chargeability anomaly (see Figure 2 - Plan). All holes intersected molybdenite mineralisation, thus confirming the anomalies represent sulphide-rich bodies associated with a large, mineralised porphyry system.

Due to mechanical problems, only the first diamond hole (PDN-DD-01) was successfully completed to the required depth, and this hole ended in visible high grade mineralisation **(0.8m @ 0.18% MoS_2)** at the depth limit of the drill rig (356.8m). The remaining drill holes were all prematurely terminated whilst still within the upper part of the mineralised sequence and prior to reaching the main target zone. The intensive core of the IP anomaly remains untested (see Figure 3 - Long Section).

Drilling also intersected strongly anomalous grades in other elements, including:

- **Copper** **46.0m @ 0.1% Cu from 96.8m in PDN-DD-01**
  (including Cu values ranging up to 0.52% Cu over one metre in porphyry style mineralisation);
- **Silver** **2.0m @ 32g/t Ag in PDN-DD-02; and**
- **Tungsten** **4.57m @ 0.06% W to end of hole in PDN-RC-2A.**

The molybdenite mineralisation occurs as coarsely disseminated and veinlet sulphides hosted within quartz-feldspar porphyry and an overlying sequence of sedimentary rocks. Both the porphyry and the sediments are strongly altered and mineralised. The sulphides are predominantly molybdenite and chalcopyrite (copper sulphide: CuS_2) which tend to occur in separate zones. This sulphide distribution describes a classic metal zonation common in porphyry copper-molybdenum systems.

Mineralised intercepts are tabulated below. Drill hole details listed in Appendix 1.

SIGNIFICANT MOLYBDENUM-RICH DRILL INTERCEPTS

Hole No	From (m)	To (m)	Interval (m)	MoS_2 (%)	Comments
PDN-DD-01	**73.9**	**78.8**	**4.9**	**0.06**	
	169.5	**175.0**	**5.5**	**0.11**	
	260.0	**304.0**	**44.0**	**0.06**	
including	**280.0**	**285.0**	**5.0**	**0.21**	
	316.0	**340.0**	**24.0**	**0.04**	
	356.0	**356.8**	**0.8**	**0.18**	**Hole ended in mineralisation**
PDN-DD-02	**174.0**	**198.0**	**24.0**	**0.04**	
PDN-RC-01	**89.9**	**111.2**	**21.3**	**0.04**	
PDN-RC-02	**9.1**	**41.1**	**32.0**	**0.05**	**Hole ended in mineralisation**
PDN-RC-02A	**1.5**	**199.6**	**198.1**	**0.06**	**Hole ended in mineralisation**
including	**41.1**	**61.0**	**19.9**	**0.10**	
PDN-RC-03	**41.1**	**83.8**	**42.7**	**0.04**	

NOTE: Samples assayed at ALS Chemex (Vancouver) using the ICP-AES method.

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Mineralisation has been intersected over a 1,200 metre strike length and from surface to a vertical depth of approximately 300 metres.

Drilling to date has only tested part of the geochemical anomaly (>2,500 metre strike length), and there is potential for the mineralised porphyry system to be significantly extended both along strike (east-west) and to the north and south.

In addition, the drill holes have only penetrated the upper part of the IP anomaly, and the high intensity core remains untested.

Further drilling on the Pozo de Nacho project is currently being planned to commence in early 2007.

JOINT VENTURE 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, which commenced in July 2005, 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.

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

APPENDIX 1 - DRILL HOLE DATA

Hole No	North (m)	East (m)	Dip / Azimuth	Total Depth (m)
PDN-DD-01	3 161 850	589 390	-60° / 340°	356.8
PDN-DD-02	3 162 100	590 260	-60° / 340°	216.2
PDN-RC-01	3 162 370	590 480	-60° / 160°	115.8
PDN-RC-02	3 162 100	589 750	-60° / 160°	41.1
PDN-RC-02A	3 162 090	589 800	-60° / 160°	199.6
PDN-RC-03	3 161 915	590 100	-60° / 340°	173.7

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

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FIGURE 1

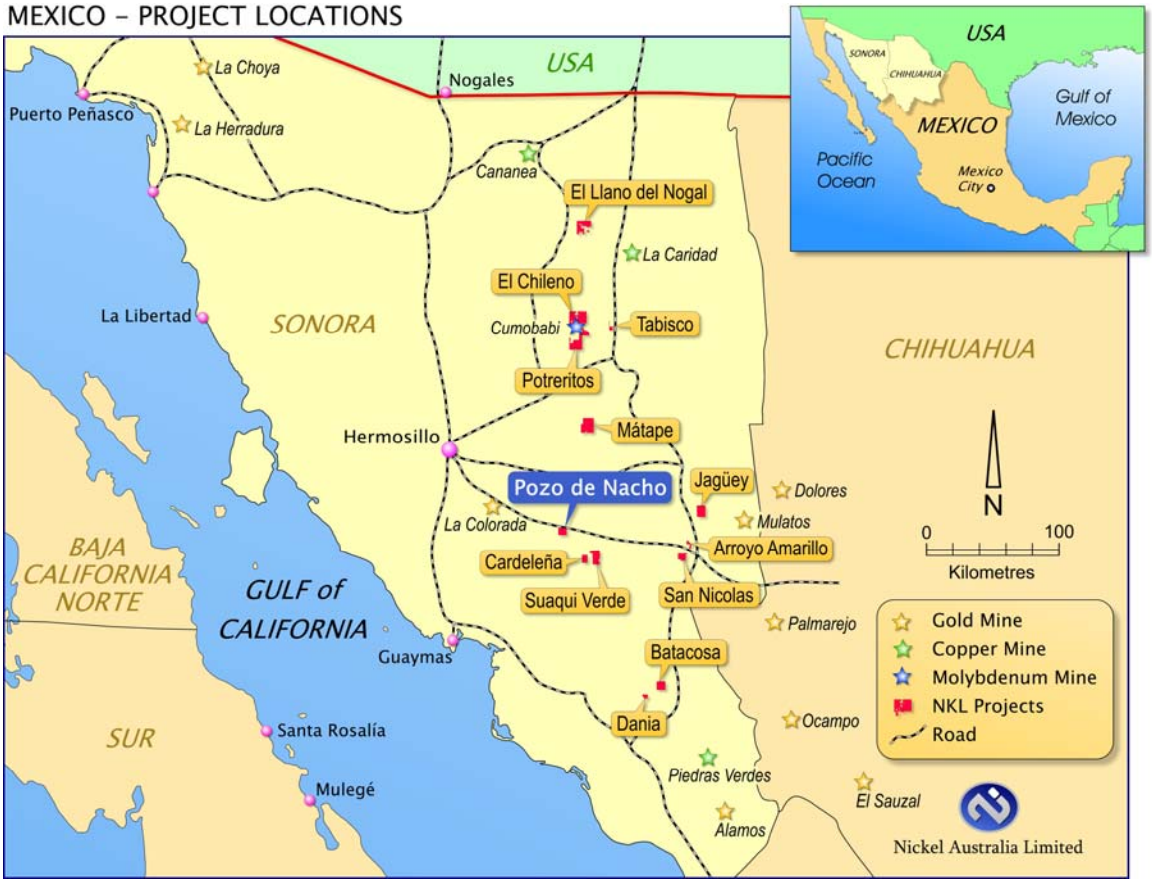

FIGURE 2

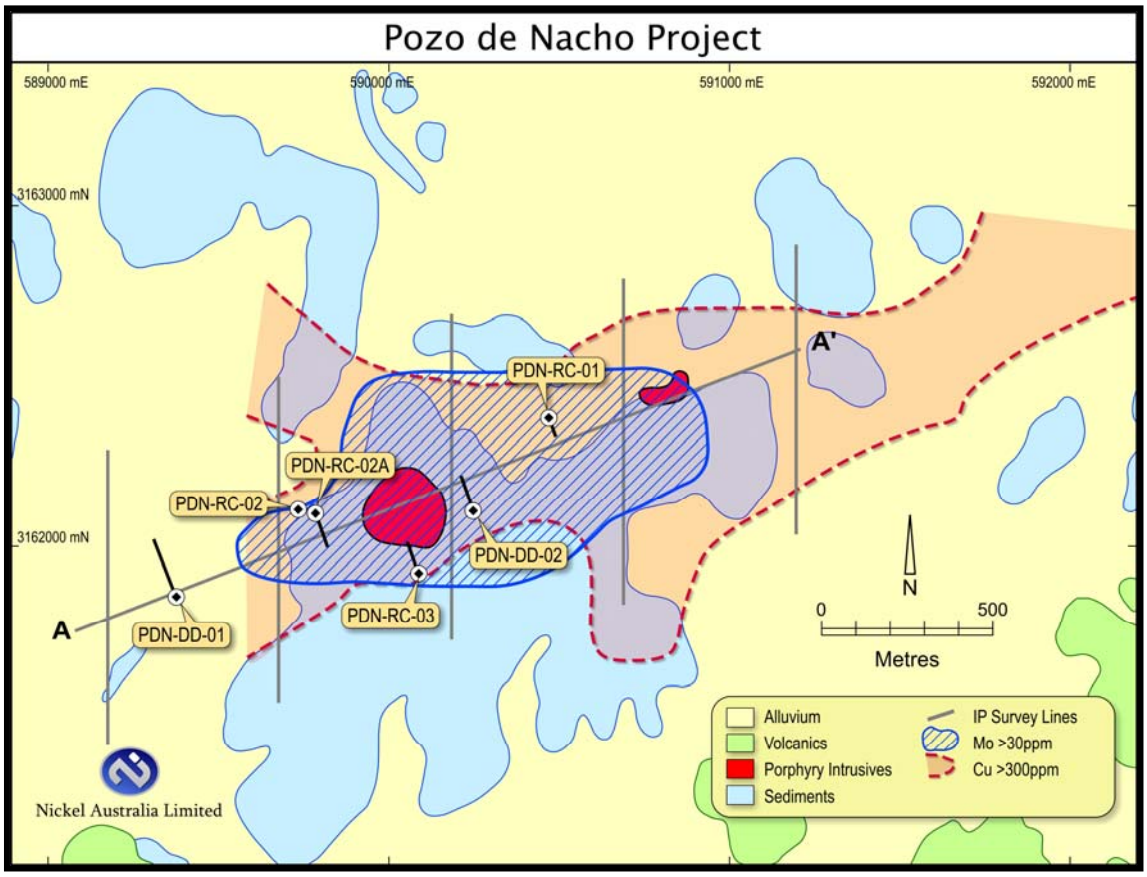

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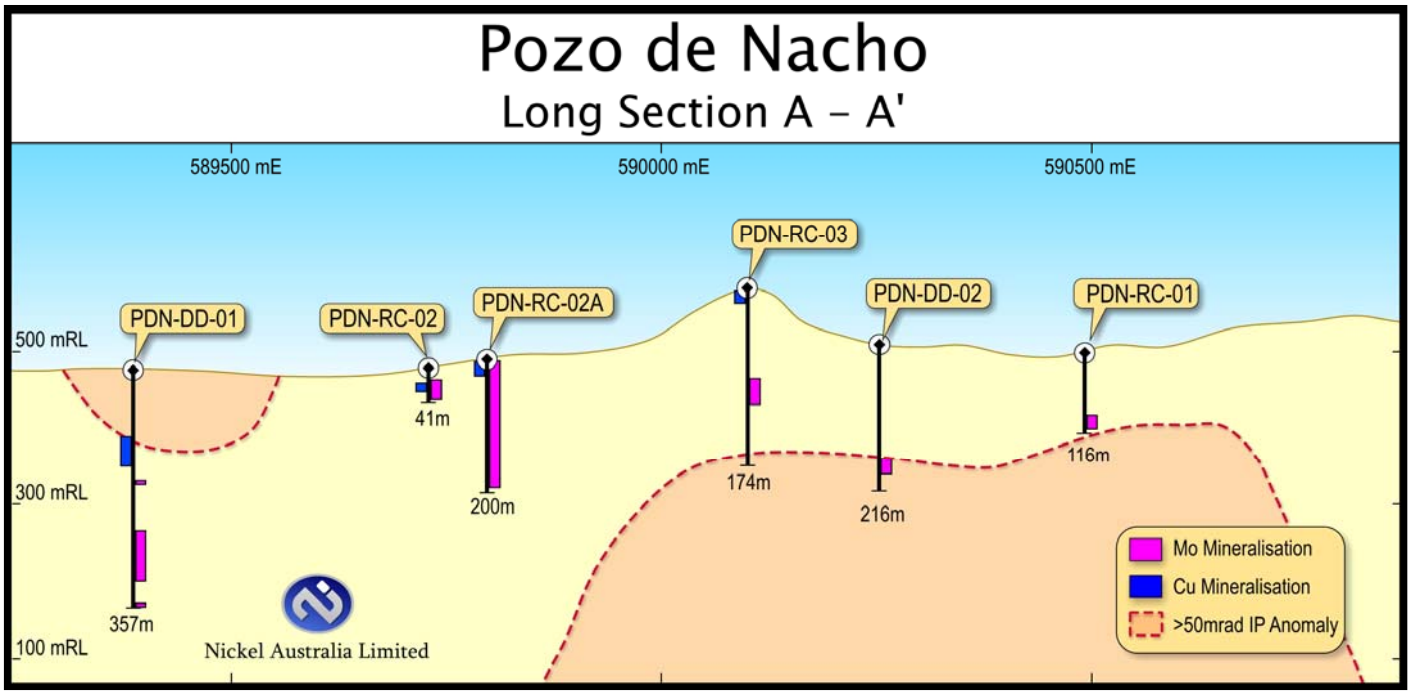
FIGURE 3



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