



Nickel Australia Limited

ANNOUNCEMENT

JOINT VENTURE TO EXPLORE FOR NICKEL AT KILLALOE

- **Joint Venture formed with Cullen Resources Ltd to explore for and mine nickel and other metals on the Killaloe Project in the Lake Cowan region of Western Australia.**
- **The acquisition complements Nickel Australia's existing Norseman project portfolio.**

COMMERCIAL TERMS

Nickel Australia Limited (ASX: **NKL**) is pleased to provide additional details on its recently completed Joint Venture with Cullen Resources Ltd (previously announced on the 29th October 2004 in the NKL Quarterly Report).

Under the agreement, Nickel Australia has acquired the right to earn a 70% interest in nickel minerals - nickel, cobalt, copper, lead, zinc and Platinum Group Metals (PGM's) - by expending \$1.5 million within four years. Nickel Australia has committed to a minimum expenditure of \$250,000 in the first year (after which it can choose to withdraw). After Year 1, Nickel Australia's minimum annual expenditure level will be \$300,000, with the right to withdraw on a pro rata expenditure basis.

Once Nickel Australia has earned its 70% interest, Cullen can elect to either contribute on a pro rata basis or revert to a 20% interest free carried to a Decision to Mine. Upon a Decision to Mine, Cullen can further elect to either contribute or revert to a 2% Net Smelter Royalty.

TECHNICAL DETAILS

The Killaloe project comprises two granted Exploration Licences and six granted Prospecting Licences. It is situated about 25km northeast of Norseman township adjoining the eastern boundary of Nickel Australia's Norseman property. Killaloe covers approximately 150sq km and contains 27 strike kilometres of the southern extensions of the Kambalda ultramafic sequence.

The ultramafics form two distinct units – the Eastern Ultramafic Belt (EUB) and the Western Ultramafic Belt (WUB). Previous exploration identified numerous strong electromagnetic (EM) conductors, and confirmed the presence of highly anomalous pathfinder elements (nickel, copper and PGM's) within gossans developed over the ultramafic units.

Some of these anomalies were drill tested producing narrow (1 - 3m) intersections of low grade (0.5 - 1.0%) nickel sulphide mineralisation, confirming the prospectivity of this district. However numerous strongly anomalous gossans and EM conductors contained within both the EUB and WUB remain totally untested.

In 2003, Cullen commissioned the geological consulting firm, Newexco Pty Ltd, to conduct a review of the nickel and base metal potential of the Killaloe project, and to assist with the development of a nickel sulphide exploration strategy. Newexco's field of expertise is primarily nickel sulphide exploration, having worked for clients such as Western Areas, LionOre, MPI, Outokumpu and Sally Malay. Amongst other successes, they have recently been responsible for the discovery of the Flying Fox and Daybreak nickel sulphide deposits at Forrestania for Western Areas.

As a result of their technical review of the Killaloe Project, Newexco concluded that: ***"With so many untested targets remaining throughout the EUB komatiite sequence, the nickel sulphide potential of the EUB is considered to be very high, whilst as a result of the nickel sulphides already intersected in the WUB and the identification of a structurally repeated, untested cumulate horizon, the nickel sulphide potential of the WUB is also considered high."***

Nickel Australia will commence intensive exploration as soon as practicable following completion of the formal documentation. This work will include surface and downhole electromagnetic (EM) surveys, geological mapping and geochemical surveys, and aircore, RC and diamond drilling.

There is significant potential to better define the known EM conductors by utilising detailed fixed loop EM surveys, as well as undertaking moving loop EM surveys over areas not yet explored.

In addition, numerous gossans located in favourable geological locations have yet to be drill tested. These will undergo aircore drilling to confirm the orientation and definition of the target zones prior to deep drill testing by 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.

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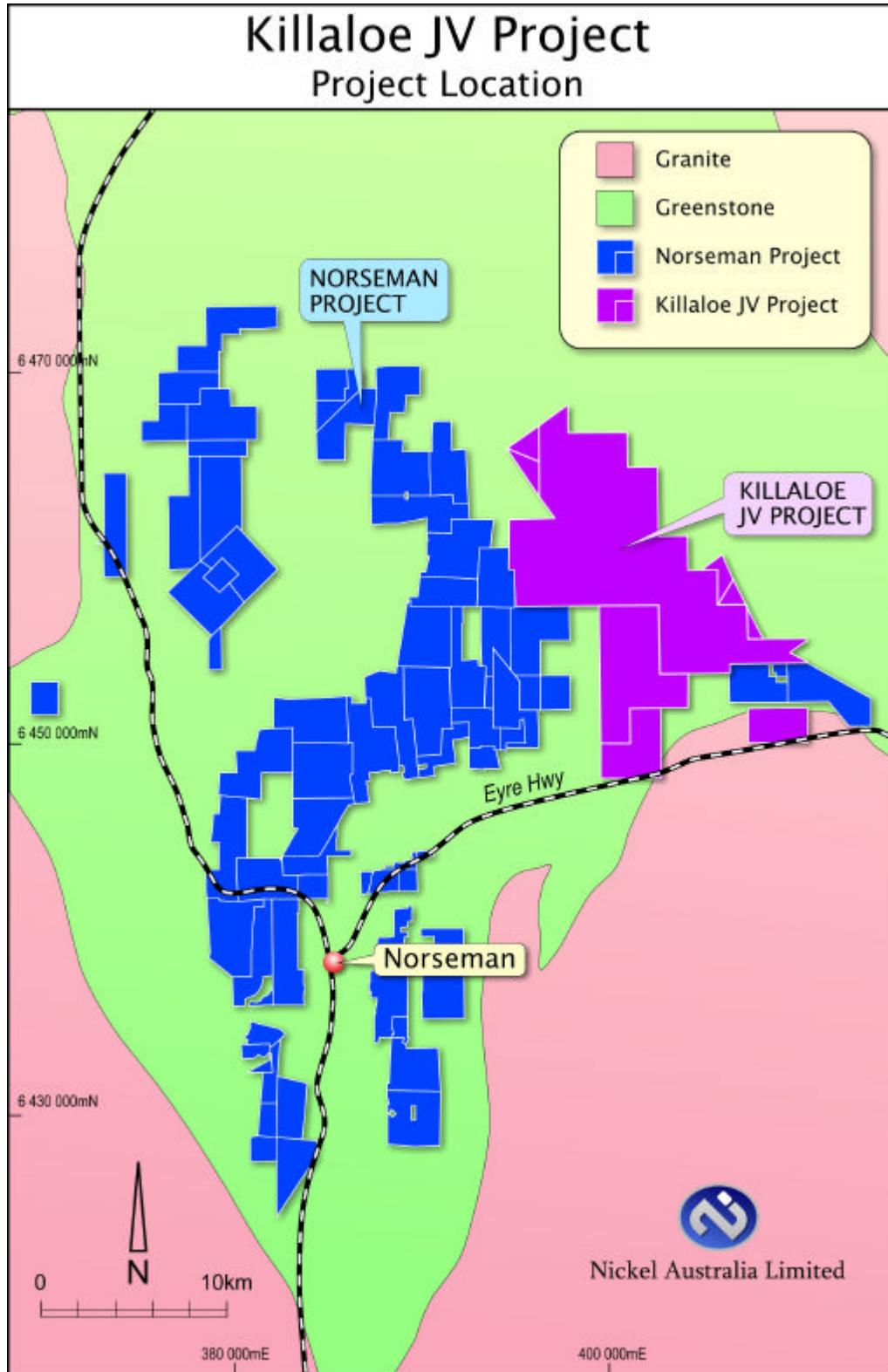
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This report has been compiled by Mr Tony Rovira (Managing Director – Nickel Australia Ltd) who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) with 20 years experience in the mining industry. Mr Rovira has relevant experience in relation to the geology and mineralisation being reported on and qualifies as a Competent Person as defined by the Joint Ore Reserve Committee (JORC) of the AusIMM.



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