QUARTERLY REPORT for the Quarter Ended 31 December 2009

Emu Nickel NL
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PO Box 1112
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Issued Capital:
Shares:
55,369,877 fully paid shares - Quoted
4,459,063 fully paid shares - Unquoted and escrowed until 27.2.2010
59,828,940 Total

Options:
10,000,000 exercisable at $0.50 by 27.12.2013 - Unquoted and escrowed until 27.2.2010
1,600,000 exercisable at $0.27 by 22.12.2014

Cash: $6.68 million

Directors:

Peter Thomas
Chairman
George Sakalidis
Managing Director
Roger Thomson
Executive Director

HIGHLIGHTS

EMU LAKE

- **A new nickel sulphide zone (0.21m @ 6.32%Ni from 282.28m) identified at Binti South.**
- **The fertile contact zone at Binti Gossan and Binti South expanded to 1km in strike length, opening up new drilling targets.**
- **Gossanous samples identified north of the Binti Gossan zone indicate potential for further extensions of the nickel sulphide mineralisation in an undrilled area.**

WINDY KNOB

- **Emu Nickel earned a 51% interest in a package of tenements surrounding the Austin VMS Cu-Zn-Au-Ag discovery.**
- **Geophysical surveys completed at the Defiance Cu-Zn prospect with modelling of ground magnetic data in progress to refine drilling targets.**

KAMBALDA WEST

- **Scout RAB drilling of magnetic and VTEM targets has confirmed the presence of ultramafic rocks within greenstone sequences intruded by granites. A strong VTEM anomaly and modelled conductor remains to be tested.**

EMU LAKE (Emu earning 33⅓%)

Three diamond drill holes; ELD041A, ELD042A and ELD044 were completed during the quarter at Emu Lake, 70km north east of Kalgoorlie. Assay results for ELD042A confirmed the presence of new nickel sulphide occurrences at Binti South, about 1km south of the Binti Gossan (ASX release 6 November 2009), as shown in Figure1. Significant intersections in ELD042A (shown in Figure 2) include:

- **0.21m @ 6.32% Ni and 0.39% Cu from 282.28m**
- **1.57m @ 1.17% Ni and 0.41% Cu from 393.43m**
  including 0.45m @ 2.67% Ni and 0.11% Cu from 393.43m

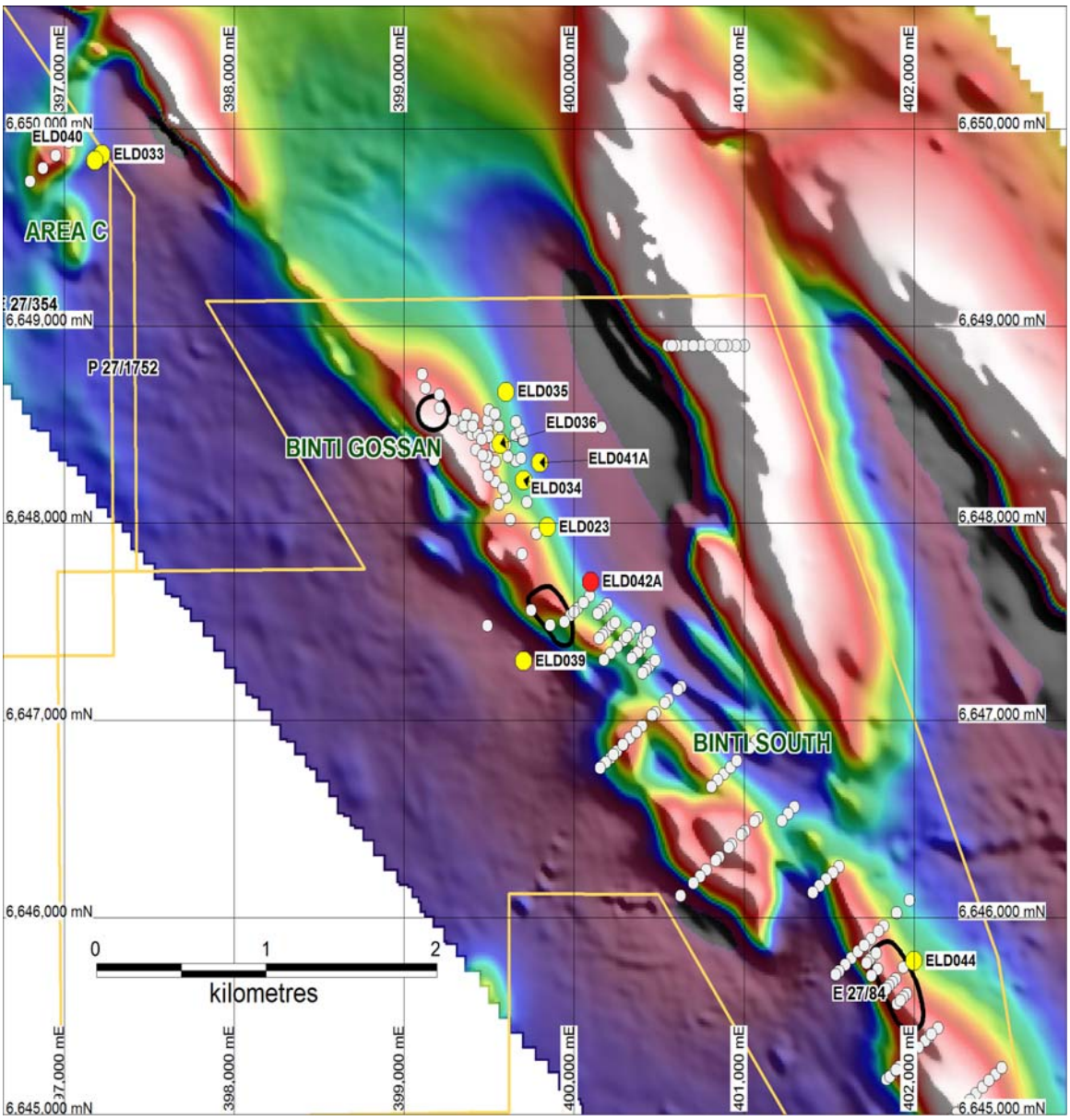

Figure 1
Drill Collar Locations Showing Magnetic Image (TMI) and FLEM Anomalies (black)

ELD042A was targeted at a fixed loop EM anomaly and tested several fertile ultramafic contacts. Several nickel intersections were obtained, as summarised in Table 1. Massive sulphides were encountered at a basal ultramafic contact at 282.28m with remobilised sulphide stringers in a footwall felsic volcanic at 393.43m. Blebby and cloud sulphides were found throughout the ultramafics. Significantly, the massive sulphide intersections occur at a similar stratigraphic position to mineralisation intersected in ELD023 (0.27m @ 5.35% Ni) some 300m to the north.

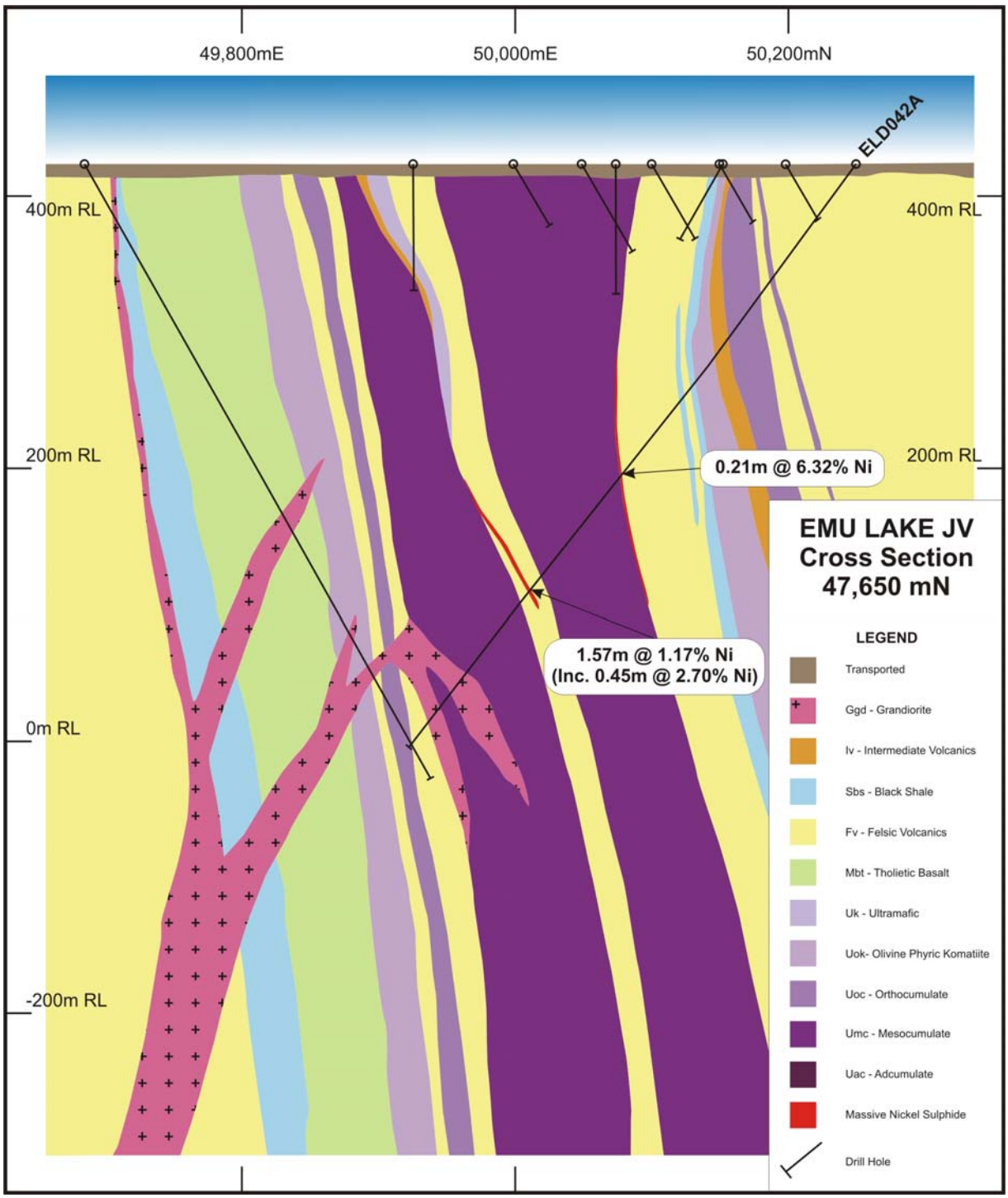

Figure 2
Cross-section showing ELD042A

Table 1
Binti South Drilling Summary and Results

Hole Number	AMG East	AMG North	Azimuth	Dip	From (m)	To (m)	Interval (m)	Ni %	Cu %
ELD041A	399796.8	6648307.5	226	-62				NSA	NSA
ELD042A	400097.3	6647704.5	229	-55	132.00	132.44	0.44	0.78	0.15
				and	282.28	282.49	0.21	6.23	0.39
				and	345.00	348.00	3.00	0.57	0.04
				and	393.43	395.00	1.57	1.17	0.41
				including	393.43	393.88	0.45	2.70	0.11
				and	427.00	429.00	2.00	0.57	0.02
ELD044	401998.0	6645780.0	229	-60				NSA	NSA

Pt and Pd assays pending. NSA: no significant assays. ELD042 was aborted at 91.4m.

The nickel intersections in ELD023 and ELD042A are very significant as they expand the zone of potentially mineralised contacts at least a further 650m to the south into the joint venture tenements. Very little drilling of the fertile contacts has been carried out in this area and they are largely untested. These new intersections increase the total strike length over which nickel sulphide mineralisation has now been identified at Binti Gossan and Binti South to 1,000m, as shown in the longitudinal section in Figure 3.

It is also noted that most of the RAB and aircore drilling south along strike from the ELD042A intersections are shallow, less than 50m, with the remainder less than 100m deep, leaving the deeper parts of the fertile contacts completely untested.

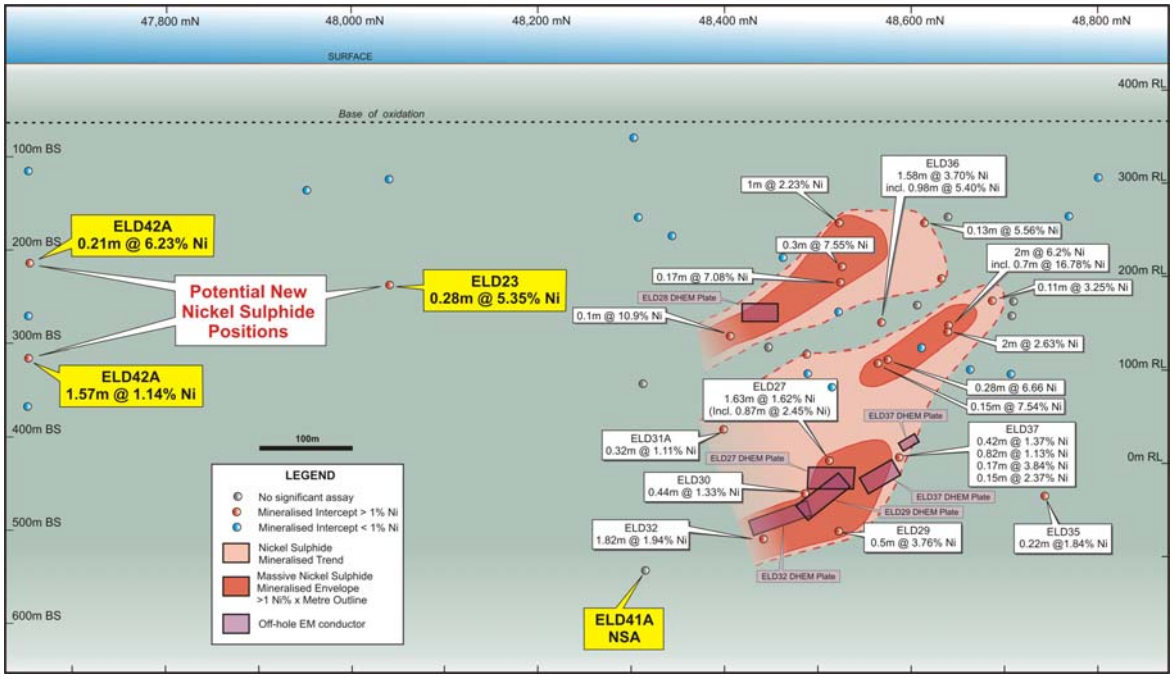

Figure 3
Binti Gossan prospect – long-section looking west

ELD041A targeted the southern extension of the Binti Gossan mineralisation. Weak cloud sulphides were encountered but no significant intersections were returned. ELD044 targeted a fixed loop EM anomaly about 3.8km south of the Binti Gossan mineralisation beneath an existing RC hole (ELRC014). Weak cloud sulphides were observed but no significant assays were obtained.

Rock sampling north of the Binti Gossan has identified two samples about 300m apart which are considered to be gossanous (i.e. leached, weathered remnants of metal sulphides) in nature. Sample 6012475 contains 0.36% Ni and 687ppm Cu and sample 6012477 contains 0.12% Ni and 550ppm Cu. These samples are currently being analysed for platinum group elements to confirm a sulphide origin. Both of these areas are considered to be underexplored, having limited or no drilling and both are considered to have nickel sulphide potential.

Xstrata Nickel has advised that its expenditure to date has now confirmed its $66^2/_3$% interest and that the joint venture is now a contributing joint venture. Considering the continuing flow of encouraging results from Emu Lake, Emu intends to fund its $33^1/_3$% share of this promising venture.

WINDY KNOB (Emu 51%)

Emu Nickel has now earned a 51% interest in the joint venture tenements held by Windy Knob Resources (ASX: WKR). WKR may now elect to contribute to joint venture expenditure or dilute its interest. The joint venture tenements surround the recent copper-zinc-gold-silver volcanogenic massive sulphide (VMS) discovery made by Silver Swan Group (ASX: SWN) at Austin.

During the quarter Emu completed a detailed 28 line-km ground magnetic survey and a fixed loop electromagnetic (EM) survey over the 1km-long Defiance copper-zinc prospect situated about 2km north east of Austin. Preliminary results indicate that no pronounced conductors were identified by the EM survey. Modelling of the ground magnetic survey results is in progress, to more closely define magnetic targets thought to be derived from magnetite alteration associated with VMS-style mineralisation. RC drilling at Defiance to test these magnetic targets and to follow up anomalous copper and zinc values intersected by aircore drilling in the previous quarter is anticipated to commence in March.

KAMBALDA WEST (Emu earning 30%)

A 103-hole, 2,493m RAB drilling programme was completed during the quarter. The drill programme targeted a number of coincident magnetic and VTEM anomalies situated to the west and south west of the Queen Victoria Rocks nickel sulphide occurrences. The holes were drilled through transported cover and into underlying Archean rocks. The reconnaissance drilling intersected ultramafic, mafic, felsic meta-sedimentary and granitic rock types, confirming the presence of greenstone sequences within a granite terrane. The drilling results indicate that the greenstone sequences are extensively intruded by granitic rocks, possibly similar to the setting of the Forrestania nickel district to the south east. Some of the granitic rocks contain magnetite which may explain some of the target magnetic anomalies. No significant nickel or gold values were returned by the drilling. A strong VTEM anomaly with a modelled conductor deeper than the RAB drilling remains to be tested.

For more information on the company visit www.emunickel.com.au
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The information in this report that relates to exploration results is based on information compiled or reviewed by Roger Thomson BSc, ARSM, MAusIMM, MAIG. Roger Thomson is a director of Emu Nickel NL. Roger Thomson 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 of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Roger Thomson consents to the inclusion of this information in the form and context in which it appears in this report.