QUARTERLY REPORT for the Quarter Ended 30 September 2010

Emu Nickel NL
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PO Box 1112
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Issued Capital:
Shares - Quoted:
59,828,940 fully paid shares

Options – Unquoted:
10,000,000 exercisable at $0.50 by 27.2.2013

1,830,000 exercisable at $0.27 by 22.12.2014

Cash: $5.9 million

Directors:

Peter Thomas
Chairman
George Sakalidis
Managing Director
Roger Thomson
Executive Director

HIGHLIGHTS

- **Down-hole EM modelling at Binti South (Emu Lake JV) has identified several conductors including one strong conductor some 400m in length associated with a nickel sulphide intersection.**
- **An initial 3-hole diamond drilling programme to commence in early November to test the conductor targets at Binti South.**
- **Copper and zinc sulphides intersected at Windy Knob, associated with silica-magnetite horizons similar to those at the nearby Austin VMS deposit.**
- **Massive iron sulphides with anomalous copper and silver intersected at Woolgangie, part of the Kambalda West JV.**

EMU LAKE (Emu 26⅔% earning 33⅓%)

Additional fixed loop electromagnetic (FLEM) surveys have been completed to infill gaps in the previously reported survey (EMU ASX release 28 May 2010). Whilst no new conductors were identified by the latest phase, processing of the FLEM survey data has confirmed a 2km-long zone of elevated conductance, as shown in Figure 1 (with the recent survey area shown by the red dots). The northern 1km of this zone coincides with the known nickel sulphide mineralisation at Binti Gossan. The southern 1km of elevated conductance is largely unexplored and contains drill holes ELD023 and ELD042A both of which intersected nickel sulphides. Modelling of this zone has identified a discrete conductor plate (also interpreted from an off-hole response in drill hole ELD039), shown in blue in Figure 2, which is to be drill tested.

Further interpretation and modelling of down-hole electromagnetic (DHEM) data has confirmed a large strong in-hole anomaly modelled to have a strike length of 400m and a 100m dip extent shown in red in Figure 2. This conductor corresponds to a nickel sulphide intersection in drill hole ELD042A (1.57m @ 1.14%Ni from 393.43m including 0.45m @ 2.67%Ni), suggesting this drill hole intersected the edge of a much larger sulphide body. A second conductor, interpreted to be a smaller body corresponds to a second nickel sulphide intersection in the same drill hole (0.21m @ 6.32%Ni from 282.28m). A drill hole is proposed to test the larger of the two conductors.

To the north, modelling of DHEM data from drill hole ELD023 has identified three anomalies interpreted to be high-conductance plates varying in strike length from 100m to 150m in strike length and from 30m to 70m in dip extent. Two of these conductors are shown in green and black in Figure 2. A single drill hole is proposed to test these conductors.

It is proposed to test each of these three attractive targets with a diamond drill hole to at least 400m depth. The plan position and 3D view (looking north) of the three proposed drill holes is shown in Figures 3 and 4 respectively. Emu Nickel ranks these targets highly and plans to commence drilling in early November.

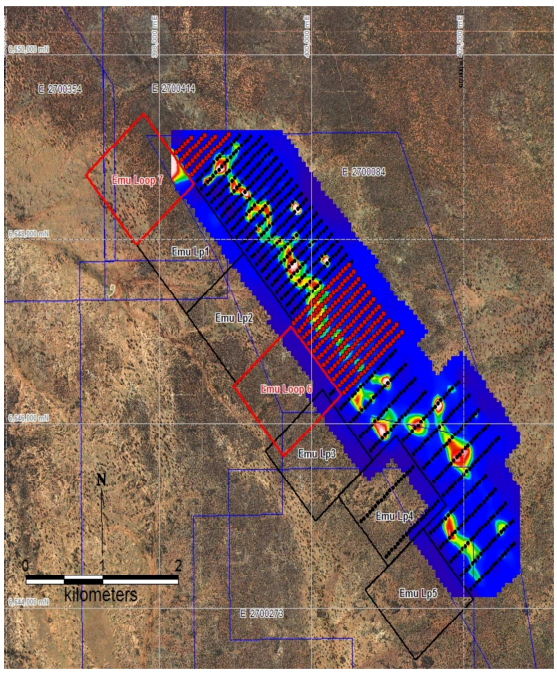

Figure 1
Binti Gossan and Binti South Fixed Loop EM Conductance

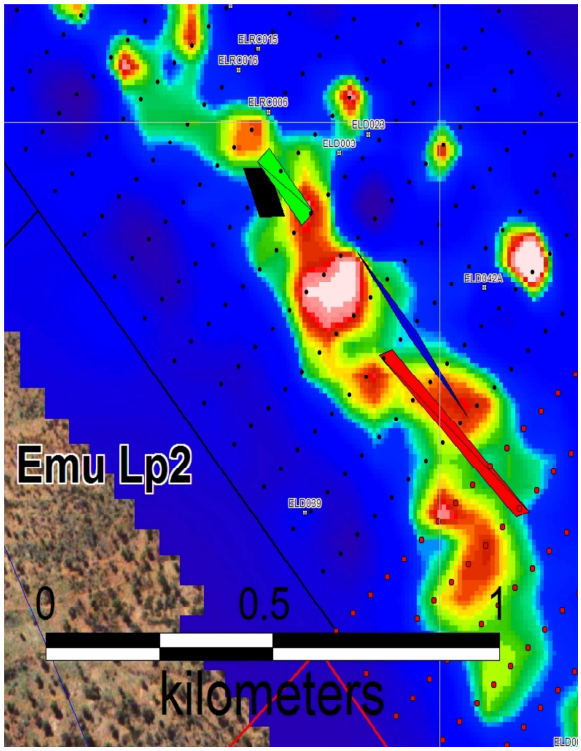

Figure 2
Binti South EM Conductance and Modelled Conductors

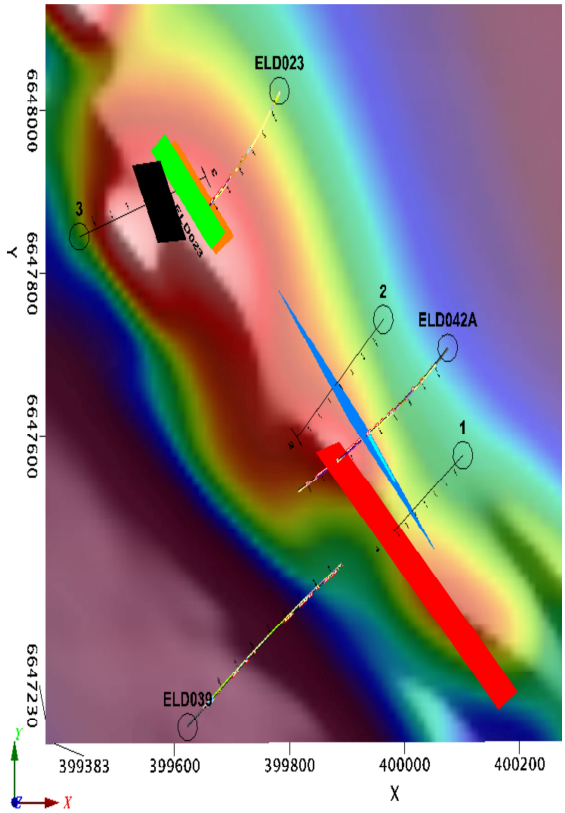

Figure 3
Plan View of Modelled Conductor Plates and Proposed Drill Holes

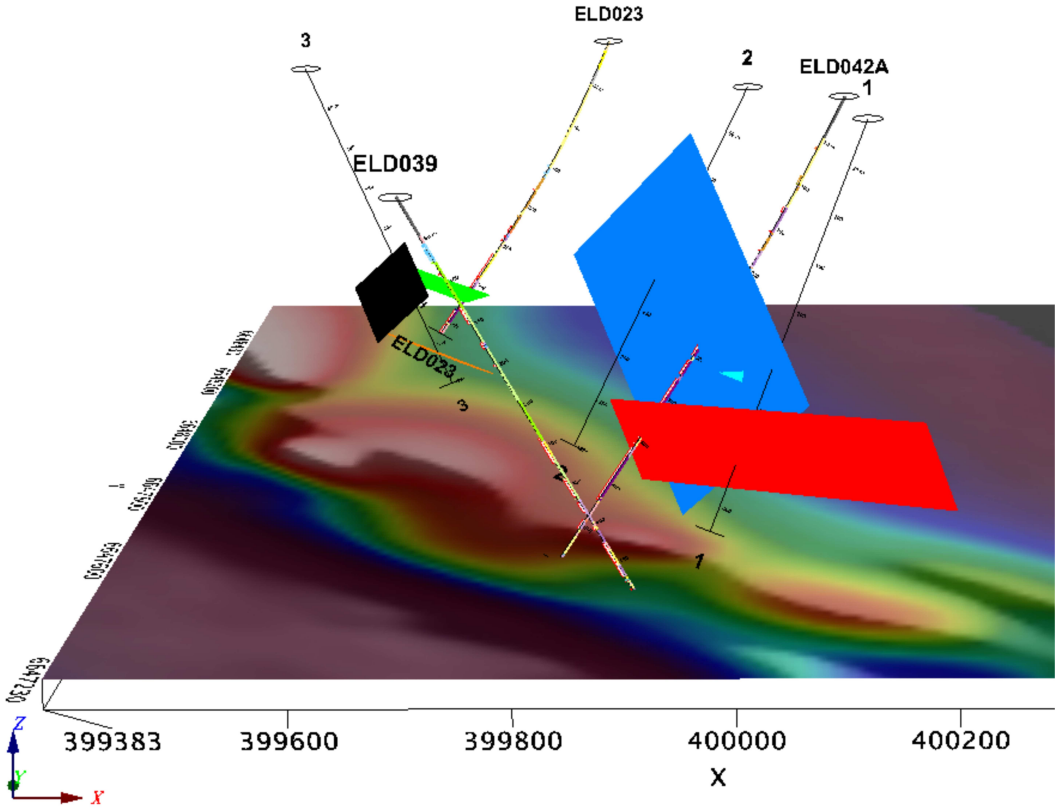

Figure 4
3D View (Looking North) of Modelled Conductor Plates and Proposed Drill Holes

Windy Knob (Emu 51%)

Emu has completed a four-hole, 1211m RC drilling programme at Austin South, Defiance and 4E near the Austin copper-zinc-gold-silver discovery near Meekatharra, WA – see Figure 5. The targets at Austin South and 4E comprise discrete magnetic anomalies similar to that associated with the Austin volcanogenic massive sulphide (VMS) deposit of Silver Swan Group. The target at Defiance comprises a 1km-long magnetic anomaly with anomalous copper and zinc values associated with a silica-magnetite unit identified in previous shallow drilling. Significant results are shown in Table 1.

Cross sections of WKRC4 at Defiance and WKRC5 at 4E are shown in Figures 6 and 7 respectively. The geology and alteration suggest that the sequence may be overturned (i.e. interpreted chloritic footwall alteration is now in the hanging wall) similar to the sequence at Austin. The silica-magnetite-sulphide horizon anomalous in copper and zinc also appears to be similar to that associated with the VMS mineralisation at Austin and may be a fold or thrust repeat of this horizon

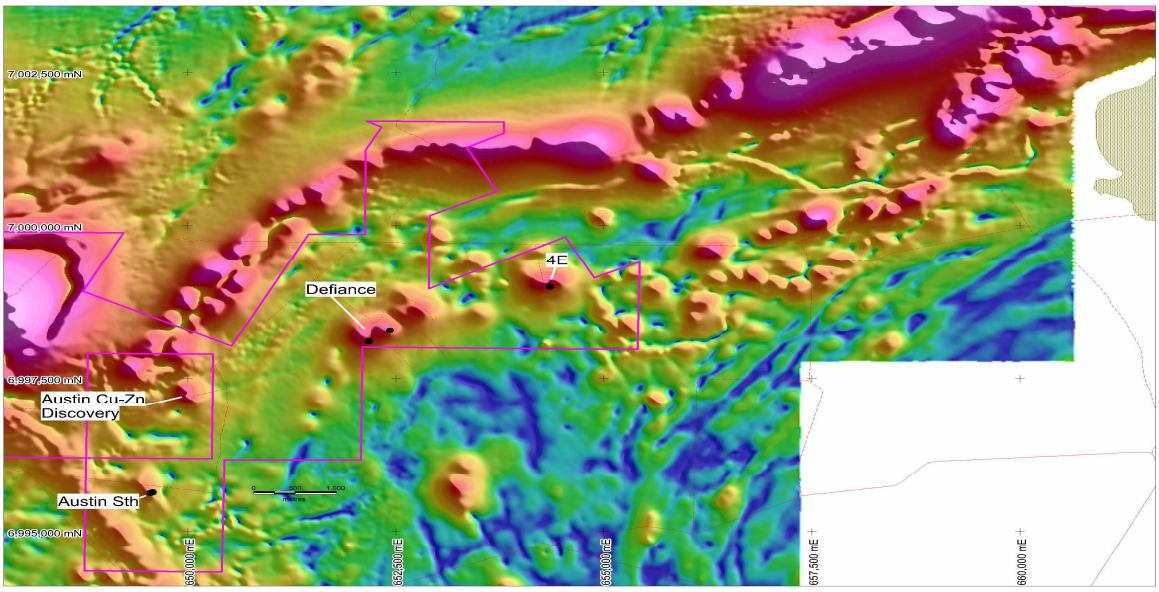

Figure 5
Windy Knob Drill Targets

Downhole electromagnetic (DHEM) surveys were completed on three holes (WKRC4 was blocked and could not be surveyed). The DHEM in drill hole WKRC-1 at Austin South and WKRC3A at Defiance detected several minor in-hole or near-hole conductors consistent with disseminated or stringer sulphides. The DHEM in drill hole WKRC5 at 4E identified moderately strong in-hole and off-hole conductors interpreted to be related to flat lying stringer sulphides.

Emu is encouraged by these results which indicate possible extensions of the fertile horizon hosting the Austin VHS deposit into the Windy Knob tenements, held in joint venture with Aspire Mining. In addition, drilling at the nearby Austin deposit by Silver Swan continues to indicate that this VMS system plunges towards the joint venture tenement boundary at depth, providing an attractive deep target for the joint venture. Further testing of these targets is being planned.

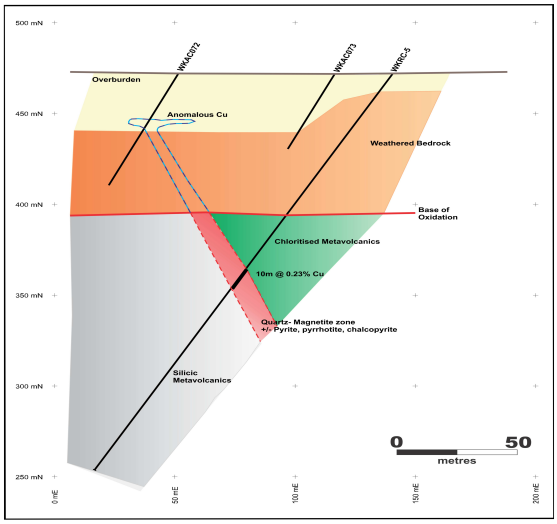

Figure 6

Defiance Prospect, Section WKRC4

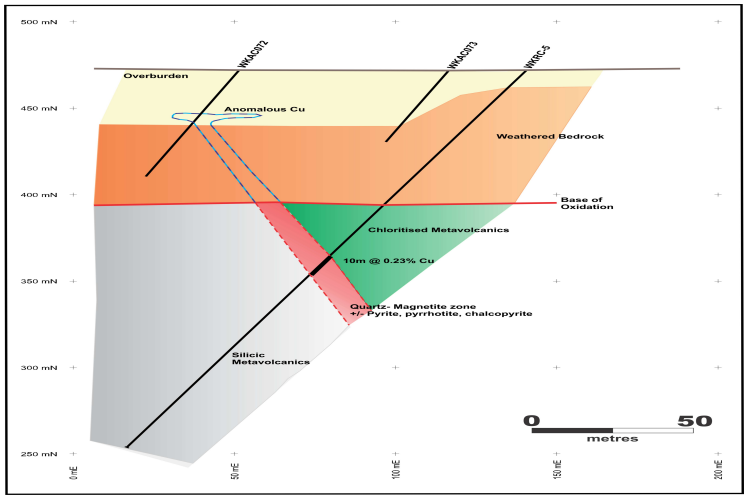

Figure 7

4E Prospect, Section WKRC5

Kambalda West (Emu 24%, earning 30%)

A five-hole, 968m reverse circulation drilling programme has been completed at Woolgangie, situated about 60km south west of Coolgardie and part of the Kambalda West joint venture. The drilling programme was designed to test electromagnetic (EM) anomalies that were identified by a previously reported airborne VTEM survey and confirmed by a ground EM survey. The EM anomalies are associated with a large magnetic anomaly, as shown in Figure 8.

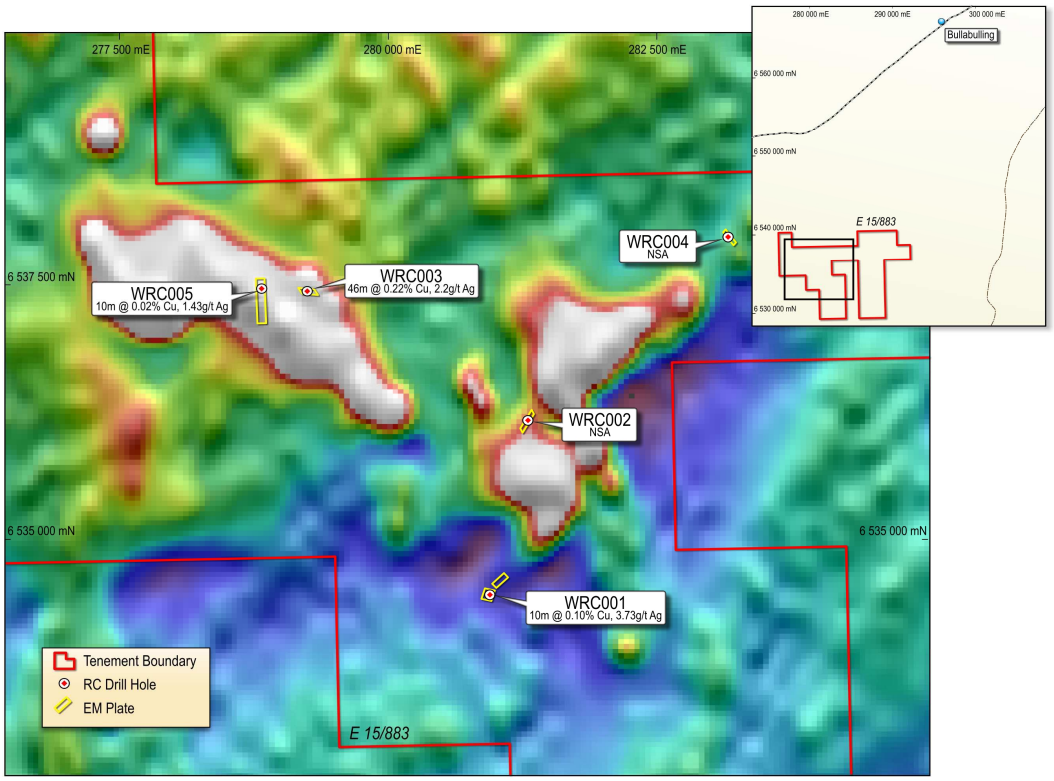

Fig 8
Woolgangie Aeromagnetic Image
Showing RC Drill Holes and EM Conductors

Significantly, **all five drill holes intersected massive to semi-massive iron sulphides in the target zones.** The sulphides comprise pyrrhotite and pyrite with associated magnetite in a granitic host but with no economic metal grades identified at this stage. However, anomalous levels of copper and silver are present in minor chalcopyrite and tellurides. Results are summarised in Table 1:

Table 1
Woolgangie RC Drilling Results

Hole Number	Collar Coordinates		Dip	Azimuth	From m	To m	Interval* m	Ag g/t	Cu %
	E	N							
WRC001	80944	34464	-90	360	144	154	10	3.73	0.10
WRC002	81305	36176	-90	360	NSR				
WRC003	79248	37442	-70	100	80	126	46	2.20	0.22
WRC004	83162	37975	-70	150	NSR				
WRC005	78822	37466	-70	340	146	156	10	1.43	0.02

NSR – No significant results. 2m samples. Aqua regia digestion followed ICPMS determination
*True widths of the drill intersections are yet to be determined

Petrological studies show potassic metasomatism and localised hydrothermal alteration within the granitic host rocks. The anomalous levels of copper and silver are considered to be potentially significant however the nature of the mineralisation has yet to be fully determined. The massive sulphide intersections are associated with open-ended EM conductors which have not yet been fully tested. A programme of follow-up ground EM is planned, with the aim of outlining the extent of the EM conductors and identifying targets for further drilling.

Mincor Resources (ASX:MCR) has earned a 51% interest in the Kambalda West tenements from Image Resources and has elected to earn up to a 70% interest by sole funding further exploration. Emu Nickel has earned 80% of the remaining 30% interest (ie. a 24% interest) from Image and has elected to earn the remainder of Image's interest, with Image to retain a 1% royalty interest.

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.