



QUARTERLY REPORT for the Quarter Ended 31 December 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: \$5.5 million

Directors:

Peter Thomas
Chairman
George Sakalidis
Managing Director
Roger Thomson
Executive Director

SUMMARY

- **A high grade intersection (0.25m @ 5.68% Ni) at Emu Lake confirms potential for extensions of mineralisation south of the Binti Gossan.**
- **Modelling in progress at Windy Knob to define VMS targets.**
- **More massive iron sulphide intersections with anomalous copper and silver at Kambalda West.**
- **Follow up sampling extends a gold anomaly to a possible 1km length, open along strike, at Salmon Gums on the Tropicana trend.**

EMU LAKE (Emu 26 $\frac{2}{3}$ % earning 33 $\frac{1}{3}$ %)

Three diamond drill holes (totalling 1,359 metres) have been completed at the Emu Lake nickel project, 70km north east of Kalgoorlie. The drilling was designed to test multiple electromagnetic (EM) conductor targets in three areas at Binti South, some 500m to 1,000m south of the Binti Gossan zone. The drilling results are summarised in Table 1.

Table 1
Emu Lake Diamond Drilling Results

Drillhole Number	Collar Coordinates		Azimuth	Dip	From m	To m	Interval m	Ni %	Cu %
	East	North							
ELD 045	400120	6647590	232	-63	362.8	363.8	1.00	1.41	0.13
ELD 046	400001	6647723	232	-55				nsa	
ELD 047	399540	6647825	056	-56	172.25	172.95	0.7	1.82	0.14
					447.35	447.60	0.25	5.68	0.67

nsa; no significant assay. True width not yet confirmed. PGE assays pending.

Drill hole ELD 047 encountered high grade nickel sulphides grading 5.68% Ni over a 0.25 metre intersection width, located close to the interpreted basal contact of the main target ultramafic unit. This intersection occurs 170 metres down dip from a similar high grade intersection in drill hole ELD 023 (drilled 2009) with 0.28 metres @ 5.35% Ni, indicating potential for extensions to this contact mineralisation south of Binti Gossan.

Drill hole ELD 045 intersected stringer mineralisation (1 metre @ 1.41% Ni) at the same interpreted contact position some 500 metres to the south, however the intervening drill hole ELD 046, about 200 metres further south, did not intersect significant mineralisation.

Down hole EM surveys in ELD 045 and ELD 046 did not detect any significant conductors. Down hole EM data from ELD 047 is still being assessed.

Emu Nickel is encouraged by the high tenor of the mineralisation intersected in the latest programme and is continuing to assess the results of the drilling and geophysical surveys in a search for thicker accumulations of these high grade nickel sulphides.

WINDY KNOB (Emu 51%)

Interpretation of geological results from the previous quarter's drilling is continuing, together with modelling of down hole geophysical results. The aim of this work is to refine targets for further drilling for volcanogenic massive sulphide mineralisation.

KAMBALDA WEST (Emu 24%, earning 30%)

An 11-hole, 2,228m reverse circulation drilling programme was completed at Woolgangie, about 60km south west of Coolgardie. The drilling was designed to follow up massive iron sulphides intersected during the previous quarter and test for possible metal zonation trends. The massive sulphides, anomalous in copper and silver, are associated with a pronounced magnetic anomaly several kilometres in length and with open ended EM conductors which have not been fully tested – see Figure 1. Results of the recent drilling are summarised in Table 2.

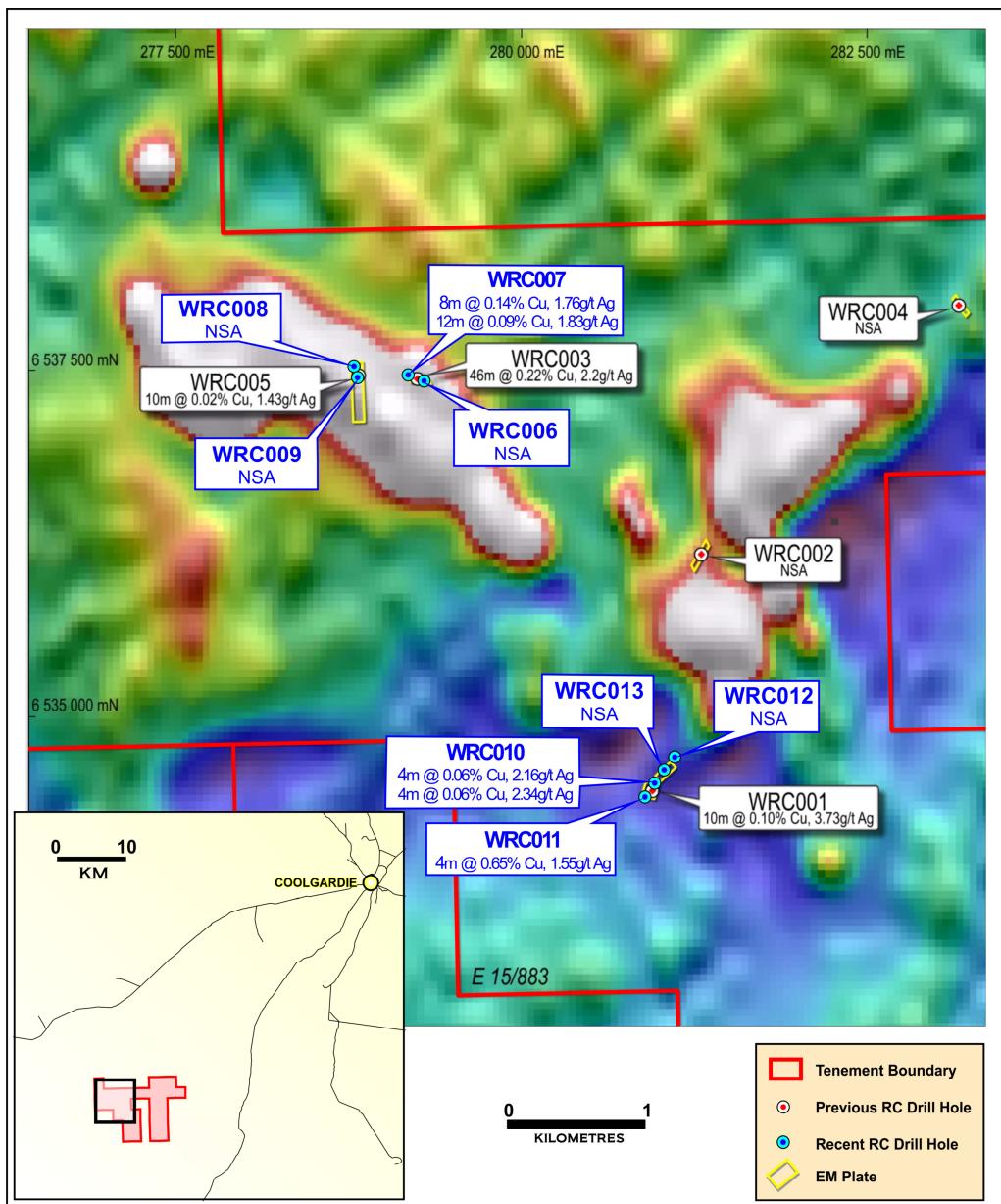


Figure 1
Woolgangie Aeromagnetic Image showing RC Drill Holes and EM conductors

Table 2
Woolgangie RC Drilling Results

Hole Number	Collar Co-ordinates		Azimuth	Dip	From m	To m	Interval* m	Ag g/t	Cu %
	East	North							
WRC006	279308	6537420	100	-70				nsa	nsa
WRC007	279193	6537464	100	-70	150	158	8	1.76	0.14
					194	206	12	1.83	0.09
WRC008	278802	6537525	340	-70	74	84	10	1.01	nsr
WRC009	278827	6537445	340	-78				nsa	nsa
WRC010	280976	6534515	0	-90	124	128	4	2.16	0.06
					150	154	4	2.34	0.06
WRC011	280906	6534417	0	-90	144	148	4	1.55	0.65
WRC012	281120	6534706	80	-60				nsa	nsa

nsa: no significant results. 2m samples. Aqua regia digestion followed by ICPMS determination. *True width yet to be determined

Drill holes WRC006-WRC012 were drilled into EM conductors up and down dip and along plunge from previously intersected mineralisation with a best intersection of 12m of massive pyrrhotite-pyrite-magnetite mineralisation grading 1.83g/t Ag and 0.09% Cu. There was no evidence of metal zonation along the drilled EM conductors. Four holes, WRC013-WRC016 were drilled along a major fault trend into conductors identified in previous EM surveys. All the target conductors were identified as massive sulphide bodies comprised of pyrrhotite and pyrite with magnetite, along granitoid margins. No significant assays were returned. A detailed geological review of this unusual mineralisation style is currently in progress.

SALMON GUMS (Emu 100%)

Emu holds several exploration licences (total 927 sq km in area) in the Salmon Gums area on the south western extension of the 500 km-long Tropicana gold trend situated on the Fraser Range mobile belt collision zone. Significant discoveries on this trend include the +5Moz Tropicana gold deposit and several more recent gold discoveries. During the quarter Emu carried out additional geochemical sampling (442 soil and calcrete samples) to follow up existing gold anomalies and sample new target areas.

The sampling results highlighted an existing gold anomaly (20ppb Au compared to a background of 1ppb Au) at Lake Pyramid about 50km WSW of Salmon Gums. Wide spaced samples returned values in the range 16ppb Au – 17ppb Au over an interpreted 1km strike length, open along strike. Additional sampling is planned, aimed at defining the extent of this gold anomaly and to identify drilling targets.

For more information on the company visit www.emnickel.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.