



NL

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2010

ABN 50 127 291 927



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HALF-YEAR FINANCIAL REPORT

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DIRECTORS' REPORT



Your directors submit the financial report of the Company for the half-year ended 31 December 2010.

DIRECTORS

The following persons were directors of Emu Nickel NL ("**Emu Nickel**") during the whole of the half-year and up to the date of this report:

Mr Peter Thomas
Mr George Sakalidis
Mr Roger Thomson

REVIEW OF OPERATIONS

The total loss from continuing operations and other comprehensive income for the half-year ended 31 December 2010 was \$323,240 (2009 – Loss - \$566,071).

The Company's activities during the six month period are summarised in this report which unless otherwise stated, should be read as if dated 31 December 2010.

During the period Emu Nickel continued to advance its Emu Lake nickel project near Kalgoorlie and its Windy Knob base metal project near Meekatharra. In addition a large iron sulphide system was discovered at Woolgangie south west of Coolgardie.

Emu Lake (Emu 26⅔% earning 33⅓%)

Additional fixed loop electromagnetic (FLEM) surveys have been completed to infill gaps in previous surveys. 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.

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).

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.

Three diamond drill holes (totalling 1,359 m) were completed to test the conductors identified by the FLEM and DHEM surveys. The locations of the drill holes and target conductors are shown in Figure 3. Drill location 1 refers to drill hole ELD045, location 2 to ELD046 and location 3 to ELD047, situated some 500m to 1000m south of the Binti Gossan zone. The drilling results are summarised in Table 1.

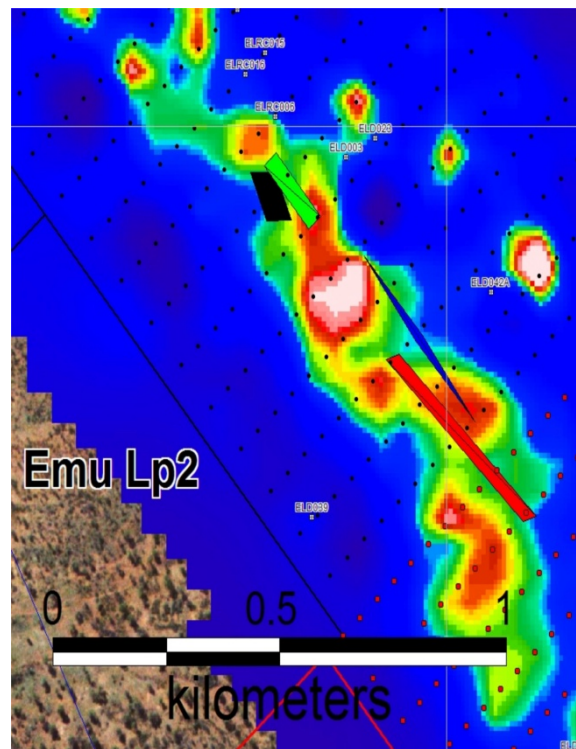


Figure 2
Binti South EM Conductance and Modelled Conductors

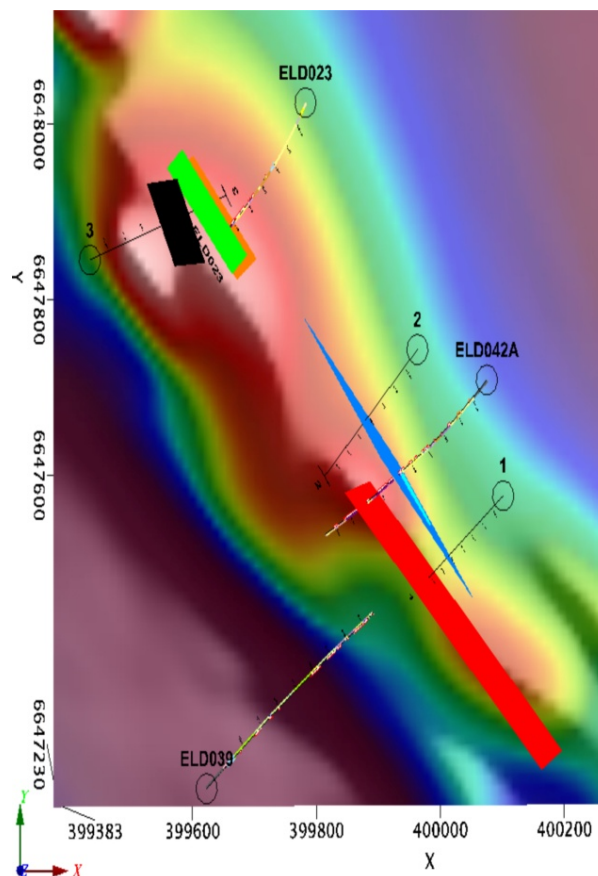


Figure 3
Plan View of Modelled Conductor Plated and Proposed Drill Holes

Drill hole ELD047 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 ELD023 (drilled 2009) with 0.28 metres @ 5.35% Ni, indicating potential for extensions to this contact mineralisation south of Binti Gossan.

Drill hole ELD045 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 ELD046, about 200 metres further north, did not intersect significant mineralisation.

Down hole EM surveys in ELD045 and ELD046 did not detect any significant conductors. Down hole EM data from ELD047 is still being assessed.

Windy Knob (Emu 51%)

Emu 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 4. 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 2.

Table 2
RC Drilling Results

Hole Number	From m	To m	Interval m	Cu %	Zn %	Au g/t
WKRC 4*	144	148	4	0.18	-	-
	148	156	8	-	0.34	-
WKRC 5+	126	136	10	0.23	-	-
including	129	130	1	0.55	-	-
	129	131	2	-	-	0.14

* 4m composite samples + 1m samples. Aqua regia digestion followed ICPMS determination

Cross sections of WKRC4 at Defiance and WKRC5 at 4E are shown in Figures 5 and 6 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.

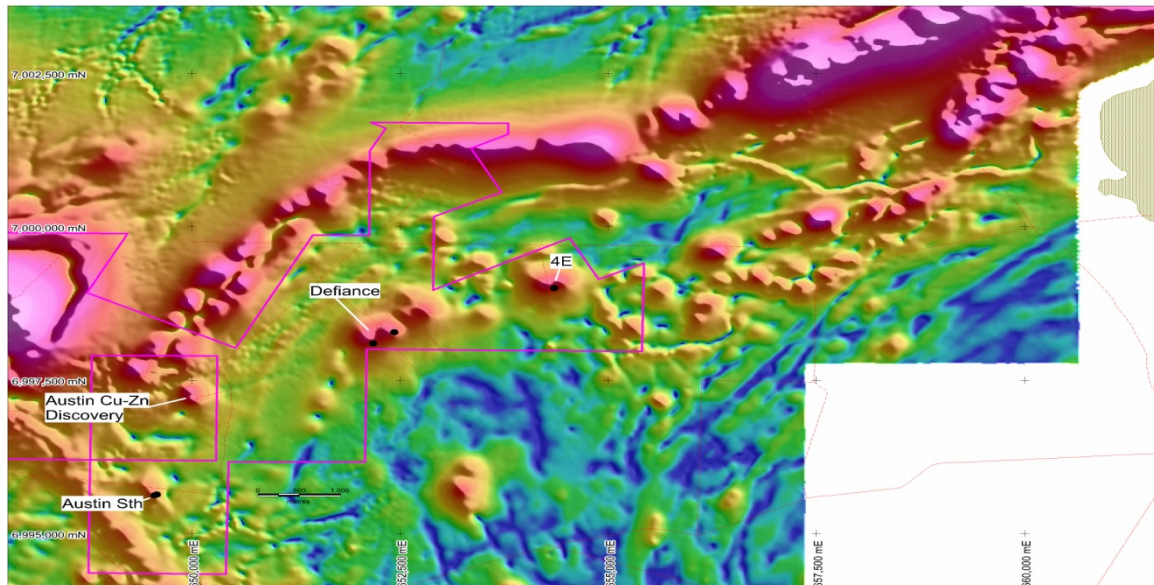


Figure 4
Windy Knob Drill Targets

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 which hosts the Austin VHS deposit into the Windy Knob joint venture tenements. 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 Emu. Further testing of these targets is being planned.

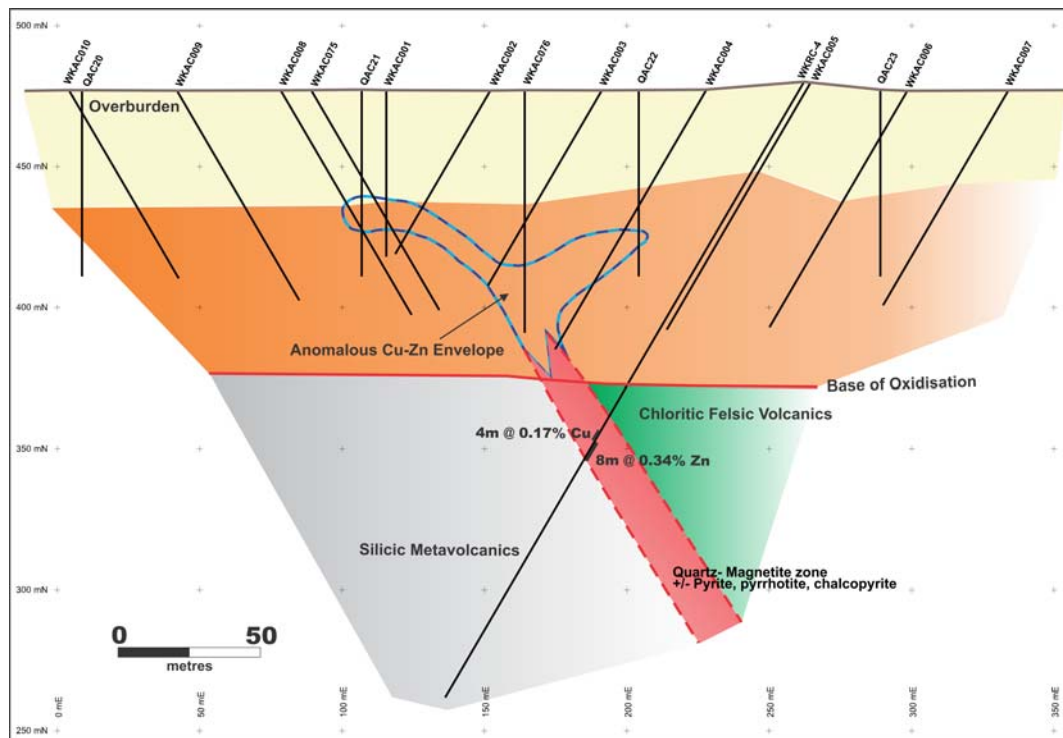


Figure 5
Defiance Prospect, Section WKRC4

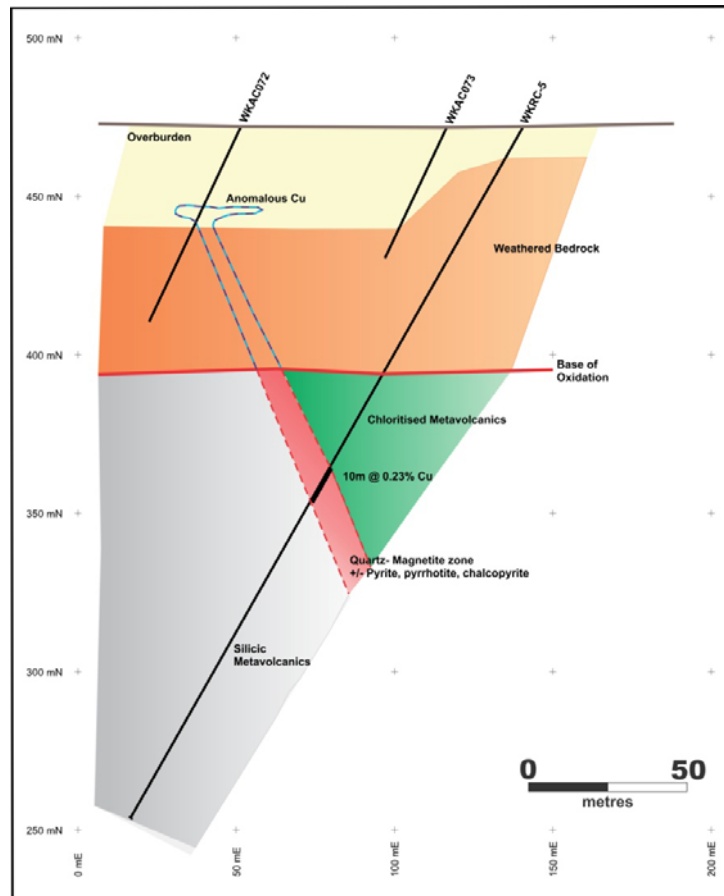


Figure 6
4E Prospect, Section WKRC5

Kambalda West (Emu 24%, earning 30%)

A five-hole, 968m initial RC drilling programme was 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 7.

Significantly, all five drill holes intersected massive to semi-massive 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 3:

Table 3
Woolgangie Initial RC Drilling Results

Hole Number	Collar Coordinates		Dip	Azimuth	From m	To m	Interval m	Ag g/t	Ca %
	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

An 11-hole 2,228m follow up RC drilling programme was then completed to test massive iron sulphides intersected during the initial programme and to test for possible metal zonation trends - see Figure 7. Results of the follow up programme are summarised in Table 4:

Table 4
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.

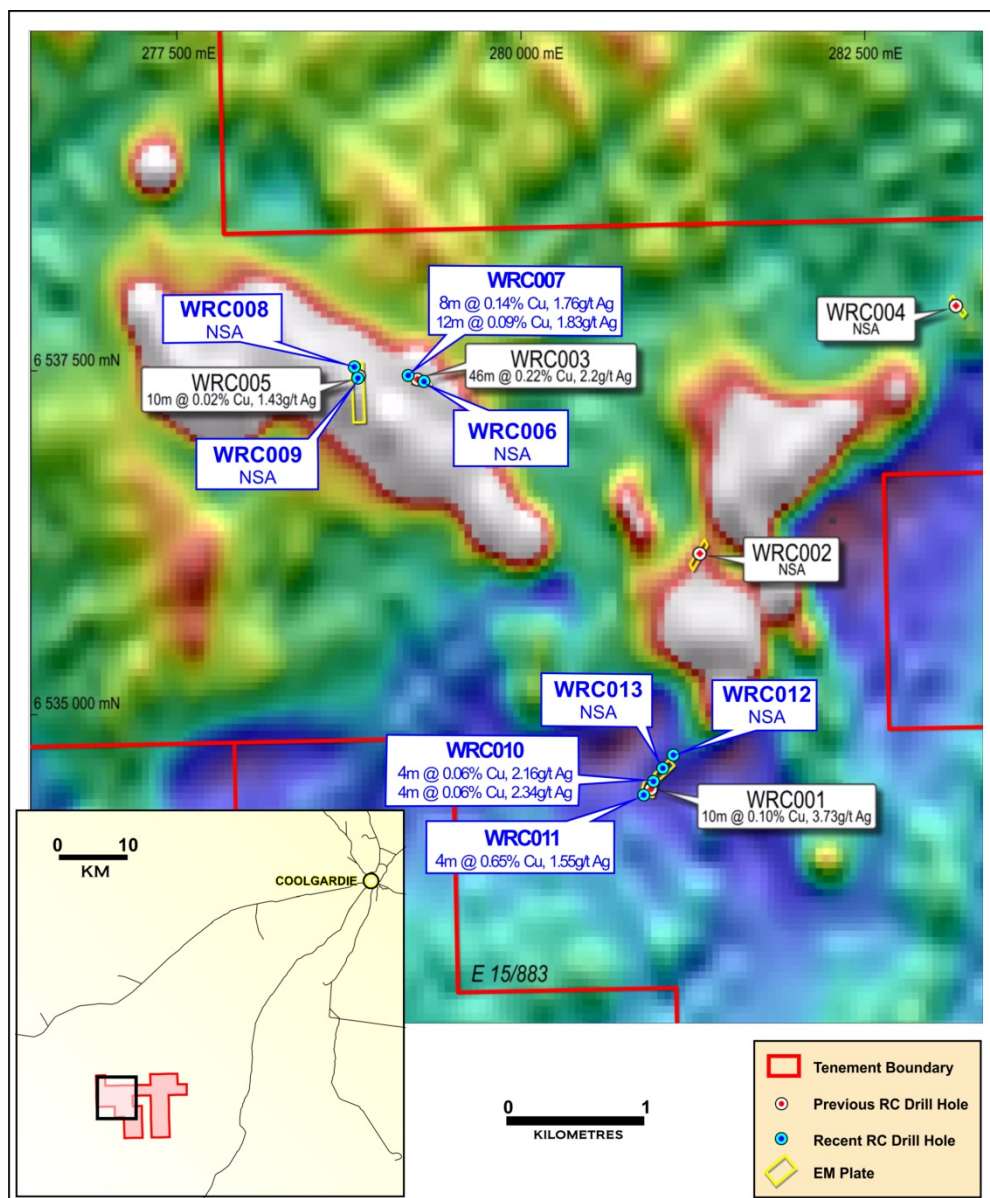


Figure 7
Woolgangie Aeromagnetic Image showing RC Drill Holes and EM conductors



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 identified a 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.

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.

INDEPENDENCE DECLARATION BY AUDITOR

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 11 for the half-year ended 31 December 2010.

This report has been signed in accordance with a resolution of directors.

For and on behalf of the Directors

Signed:

G SAKALIDIS

Managing Director

15 March 2011

AUDITOR'S INDEPENDENCE DECLARATION



Auditors Independence Declaration

To the directors of Emu Nickel NL

As auditor for the review of Emu Nickel NL for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

Somes and Cooke

Kevin Somes
Partner

Date: 15 March 2011

Liability Limited by a Scheme approved under Professional Standards Legislation

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**



	Notes	Half Year Ended 31 Dec 2010 (\$)	Half Year Ended 31 Dec 2009 (\$)
Revenue:			
Interest income		164,842	148,077
Expenses:			
Depreciation expense		(9,994)	(9,876)
Exploration and tenement expenses written off		(220,166)	(385,283)
Share based payments		-	(88,000)
Other expenses		<u>(266,722)</u>	<u>(247,089)</u>
(Loss) before income tax expense		<u>(332,040)</u>	<u>(582,171)</u>
Income tax expense		<u>-</u>	<u>-</u>
(Loss) from continuing operations		<u>(332,040)</u>	<u>(582,171)</u>
Other comprehensive income:			
Changes in the fair value of available-for-sale financial assets	3	8,800	16,100
Income tax relating to other comprehensive income		<u>-</u>	<u>-</u>
Other comprehensive income for the period, net of tax		<u>8,800</u>	<u>16,100</u>
Total Comprehensive income for the period attributable to Members of Emu Nickel NL		<u>(323,240)</u>	<u>(566,071)</u>
Basic (loss) per share (cents per share)		(0.5550)	(0.9731)
Diluted (loss) per share (cents per share)		<u>(0.5550)</u>	<u>(0.9731)</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**



	Notes	31 Dec 2010 (\$)	30 June 2010 (\$)
Current Assets			
Cash and cash equivalents		5,565,870	6,017,935
Receivables		91,832	25,610
Prepayments		21,581	11,547
Total Current Assets		<u>5,679,283</u>	<u>6,055,092</u>
Non-Current Assets			
Plant and equipment		43,567	53,060
Other financial assets	3	59,750	40,950
Total Non-Current Assets		<u>103,317</u>	<u>94,010</u>
TOTAL ASSETS		<u>5,782,600</u>	<u>6,149,102</u>
Current Liabilities			
Payables		42,758	86,551
Provisions		897	366
Total Current Liabilities		<u>43,655</u>	<u>86,917</u>
TOTAL LIABILITIES		<u>43,655</u>	<u>86,917</u>
NET ASSETS		<u>5,738,945</u>	<u>6,062,185</u>
Equity			
Contributed equity	4	8,815,929	8,815,929
Reserves	4	129,450	120,650
Accumulated losses		(3,206,434)	(2,874,394)
TOTAL EQUITY		<u>5,738,945</u>	<u>6,062,185</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**



Contributed Equity	Employee Benefit Reserve	Available for Sale Asset Reserve	Accumulated Losses	Total
(\$)	(\$)	(\$)	(\$)	(\$)

Balance at 1.7.2009	8,815,929	20,000	1,000	(1,420,924)	7,416,005
Share based payments	-	88,000	-	-	88,000
Total comprehensive (loss) for the period	-	-	16,100	(582,171)	(566,071)
Balance at 31.12.2009	8,815,929	108,000	17,100	(2,003,095)	6,937,934

Balance at 1.7.2010	8,815,929	120,650	-	(2,874,394)	6,062,185
Total comprehensive (loss) for the period	-	-	8,800	(332,040)	(323,240)
Balance at 31.12.2010	8,815,929	120,650	8,800	(3,206,434)	5,738,945

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**



	Half Year Ended 31 Dec 2010 (\$)	Half Year Ended 31 Dec 2009 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES		
GST refunds received	56,653	65,620
Payments to suppliers and contractors	(376,579)	(331,637)
Interest received	164,842	148,077
Net cash (used in) operating activities	<u>(155,084)</u>	<u>(117,940)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(501)	(250)
Payments for exploration and evaluation	(276,454)	(411,774)
Purchase of investments	(10,000)	(63,220)
Purchase of new prospects	(10,026)	(6,073)
Net cash (used in) investing activities	<u>(296,981)</u>	<u>(481,317)</u>
Net (decrease) / increase in cash held	(452,065)	(599,257)
Cash at the beginning of the financial period	6,017,935	8,343,223
Cash at the end of the financial period	<u>5,565,870</u>	<u>6,684,598</u>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**



NOTE 1 BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2010, together with any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

NOTE 2 OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Company has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company's principal activity is mineral exploration.

Revenue and assets by geographical region

The Company's revenue is received from sources and assets are located wholly within Australia.

Major customers

Due to the nature of its current operations, the Company does not provide products and services.

NOTE 3 OTHER FINANCIAL ASSETS

	Half Year Ended 31 Dec 2010 (\$)	Half Year Ended 31 Dec 2009 (\$)
Available for sale assets		
Balance 1 July	40,950	16,000
Purchases – at cost	10,000	63,220
Increase in fair value	8,800	16,100
Balance 31 December	<u>59,750</u>	<u>95,320</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**



NOTE 4 CONTRIBUTED EQUITY

Ordinary Fully Paid Shares

Balance 1 July 2010

Total Contributed Equity at 31 December 2010

Number	\$
59,828,940	8,815,929
59,828,940	8,815,929

Share Based Payments Reserve

Balance 1 July 2010 and 31 December 2010

120,650
120,650

Available for Sale Asset Reserve

Balance 1 July 2010

Changes in the fair value of available-for-sale financial assets

Balance 31 December 2010

Total Reserves at 31 December 2010

-
8,800
8,800
129,450

Unlisted Options to acquire Fully Paid Ordinary Shares

Options exercisable at \$0.50 each on or before 27 February 2013

Total Options at 31 December 2010

10,000,000
10,000,000

NOTE 5 TENEMENT EXPENDITURE COMMITMENTS

The Company has entered into certain obligations to perform minimum exploration work on tenements held or joint ventured into. These obligations vary from time to time in accordance with contracts signed. Tenement rentals and minimum expenditure obligations which may be varied or deferred on application are expected to be met in the normal course of business.

The minimum statutory expenditure requirement on the granted tenements for the next twelve months amounts to \$1,187,480. Of this amount, \$422,840 is expected to be met by JV participants as a result of various joint ventures entered into. The tenements are located in Western Australia, and are subject to legislative requirements with respect to the processes for application, grant, conversion and renewal. Tenements are also subject to the payment of annual rent and the meeting of minimum annual expenditure commitments. There is no guarantee that any applications, conversions or renewals for the Company's tenements will be granted.

NOTE 6 EVENTS SUBSEQUENT TO REPORTING DATE

On 15 March 2011, Image Resources NL and Emu Nickel NL agreed to extend the latest earn-in date under the IMA/EMU Joint Venture to 27 February 2014.

There have been no matters or circumstances that have arisen since 31 December 2010 which have significantly affected or may significantly affect:

- (a) the Company's operations in future periods; or
- (b) the results of those operations in future periods; or
- (c) the Company's state of affairs in future periods.

NOTE 7 CONTINGENT LIABILITIES

Native Title

The Company's activities are subject to the Native Title Act and Aboriginal heritage legislation.

The Native Title Act recognises the title rights of indigenous Australians. State and Commonwealth native title legislation regulates the recognition, application and protection of native title. Native title may affect the status, renewal and conversion of existing tenements and the granting of new tenements. Indigenous land use agreements, including terms of compensation, heritage survey and protection agreements or other agreement types may need to be negotiated with affected parties.

The Native Title Act prescribes procedures applicable to the grant of tenements which may apply even in the case of, for instance, a granted exploration licence being "converted" to, say, a mining lease. Compensation may become payable in respect of any impact which the grant of any tenements or other activities have on native title. A tenement holder may be liable for the payment of compensation for the affect of mining and exploration activities on any native title rights and interests that exist in the area covered by a tenement. Compensation may be payable in forms other than money, including the transfer of property and the provision of goods and services.

It is not currently possible to assess whether compensation will be payable by the Company to native title holders in relation to any of the tenements but such compensation could be significant.

There may be sites and objects of significance to indigenous Australians located on the land relating to the Company's tenements. State and Commonwealth Aboriginal heritage legislation aims to preserve and protect these sites and objects from use in a manner inconsistent with Aboriginal tradition. The Company proposes carrying out 'clearance surveys' if it considers this to be appropriate before conducting any exploration work that would disturb the surface of the land. The Company's tenements may contain some such sites or objects of significance, which would need to be avoided or cause delays. It is possible that areas containing mineralisation or an economic resource may also contain sacred sites, in which case exploitation thereof may be entirely frustrated. Access agreements will need to be negotiated with affected parties.

Native title, Aboriginal heritage or other indigenous matters are matters of substantial risk (giving rise to the threat that certain tenements may not be granted, access to certain tenements may be denied or delayed in addition to potentially significant cost exposure in respect of things such as negotiations, surveys, incentive payments and compensation to name but a few) as the legislative frame works provide torturous and frequently uncertain routes to the endeavour by both stakeholders (that is explorers/miners and indigenous peoples) to attain certainty.

It is not possible to quantify the financial or other impact native title and Aboriginal heritage will have upon the Company as, amongst other things, the processes involved with:

- (a) identifying all and only the indigenous peoples with a relevant interest;
 - (b) registering an indigenous land use agreement;
 - (c) obtaining access to land without infringing the provisions of the Aboriginal Heritage Act;
- are open ended, can involve substantial delay and cost and there can be no certainty as to the outcome with it being possible for projects to be entirely frustrated.

NOTE 7 CONTINGENT LIABILITIES (Continued)

Native Title (Continued)

This could be the case, for instance, even in circumstances where:

- (a) a native title party consents to the grant of an exploration licence and assists the exploration endeavour thereon (and the discovery of an otherwise economic deposit);
- (b) the Company, in order to exploit that discovery, applies for a mining lease (or other required approval, consent, authority etc.) but such grant, approval, consent or authority is not forthcoming by reason of an objection by the same or another native title party.

Freehold Access

The interests of holders of freehold land encroached by tenements are given special recognition by the Mining Act (WA). As a general proposition, a tenement holder must obtain the consent of the owner of freehold before conducting operations on the freehold land. There can be no assurance that the Company will secure rights to access those portions of the tenements encroaching freehold land either at all or for all purposes but, importantly, the grant of freehold extinguished native title so wherever the tenements encroach freehold the Company is in the position of not having to abide by the Native Title Act albeit aboriginal heritage matters will still be of concern.

DIRECTORS' DECLARATION



The directors of the Company declare that:

1. the accompanying financial statements and notes:
 - (a) comply with Accounting Standard AASB 134 : Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position of the Company as at 31 December 2010 and its performance for the half-year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:

Signed at Perth: **George Sakalidis**
Managing Director

Dated this 15th day of March 2011.

Independent Auditor's Review Report

To the members of Emu Nickel NL

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Emu Nickel NL, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

The directors of Emu Nickel NL are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable to preparation of the interim financial report that is free from material misstatement, whether due to fraud or error..

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Emu Nickel NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Liability Limited by a Scheme approved under Professional Standards Legislation



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We can confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Image Resources NL, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Emu Nickel NL is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Somes and Cooke

Kevin Somes
Partner

15 March 2011

Perth.

Liability Limited by a Scheme approved under Professional Standards Legislation