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Scoping study points to strong returns for Nickelore project

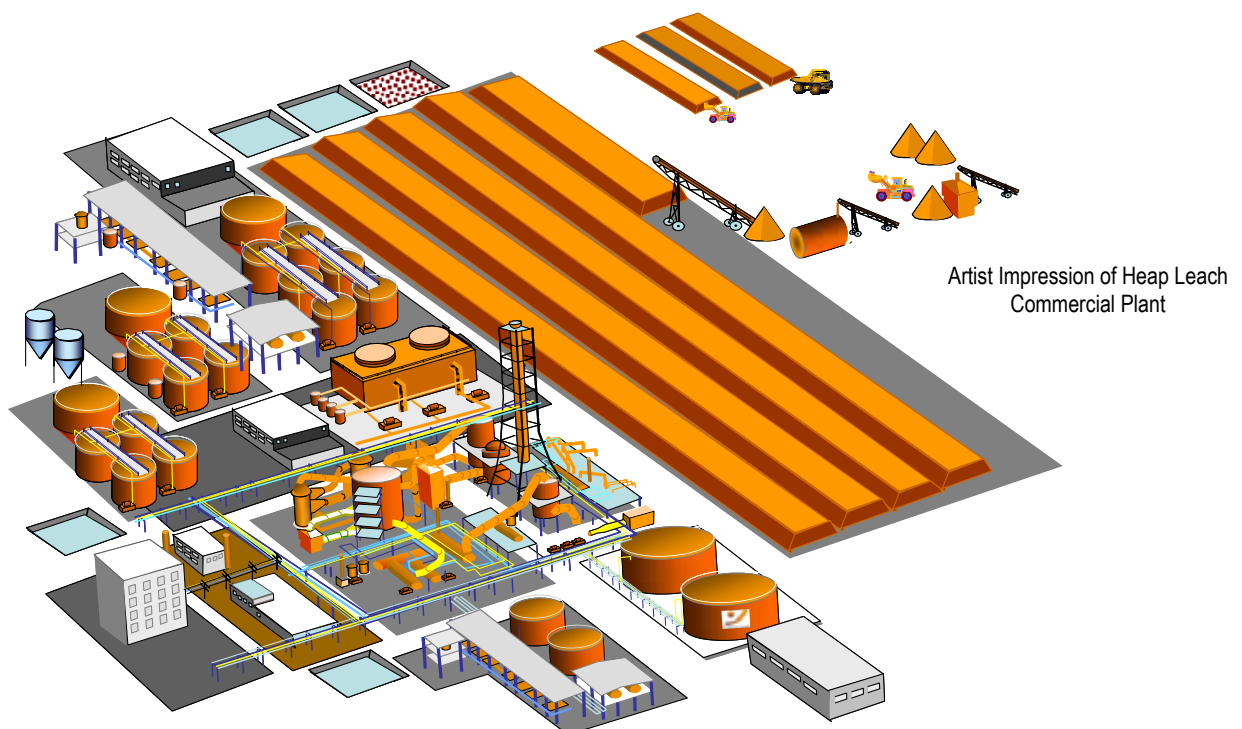
Highlights

- Nickelore's Canegrass Scoping study results support plans for a 20,000 tpa heap leach project
- Project delivers A\$182 million net cash per annum (before tax) at long term nickel price of US\$18,600/t Nickel
- NPV of A\$757 million (before tax, discount rate of 8%)
- Technical studies show Canegrass ore is well suited to heap leach treatment
- Capital cost estimate of A\$865 million for a 20,000 tpa Nickel extraction plant
- Cash operating costs of US\$2.67/lb Nickel (after Cobalt credits)
- Company commits to pre-feasibility phase of development

Emerging nickel producer Nickelore Ltd (ASX:NIO) has today released the results of its Scoping Study for the Canegrass Nickel Cobalt project.

Managing Director Iggy Tan said the results indicated that Canegrass would be a robust project with the potential to begin production in 2011. The two key factors in the positive results were the favourable characteristics of Nickelore's resource and the attractive economics of processing the ore using heap leach technology.

Nickelore commenced the Heap Leach Scoping Study in October 2007 with the appointment of Bruce Wedderburn as Study Manager and Perth based engineering company BatteryLimits Pty Ltd as lead Scoping Study engineer. Based on the results of the study for the heap leach project the 20,000 tpa Nickel and 1,400 tpa Cobalt plant would generate around A\$182 million net cash per annum (before tax) at a long term nickel price of US\$18,600 /tonne Ni. The project NPV (real and non-g geared, before tax) is estimated at A\$757 million using a discount rate of 8%.



The cash operating cost is estimated at US\$2.67/lb Nickel, after Cobalt credits, averaged over the life of mine.

The project nickel price assumptions of US\$18,600/tonne (or US\$8.45/lb) are based on IBIS long term forecasting and compare with current spot market price of US\$33,200/tonne (or US\$15.09/lb Ni).

The capital and operating costs are based on producing a mixed hydroxide intermediate product which can be readily on-sold to nickel refiners.

Project Economics

	Nickel Price US\$ 18,600/t Ni (US\$ 8.45/lb Ni)	Nickel Price US\$ 22,000/t Ni (US\$ 10.00/lb Ni)
Cobalt Price	US\$12/lb	US\$12/lb
Capital Costs	A\$ 865 million	A\$ 865 million
Revenue pa	A\$ 427 million	A\$ 498 million
Net Cash pa (before tax)	A\$ 182 million	A\$ 251million
NPV ¹ (non-geared, real @8%)	A\$ 757 million	A\$ 1,351million
IRR ¹	18%	25%
C1 Cash Cost (after Co credits)	US\$ 2.67/lb	US\$ 2.67/lb

¹ Based on 20 year mine life

The major components of the operating costs comprise mining, sulphur plus neutralising costs, maintenance and labour costs.

The capital costs for a 20,000 tpa nickel extraction plant have been estimated to be in the range of A\$800m to A\$1,000m with an estimated project cost of A\$865 million. The increase in capital cost from the initial capital cost estimate of A\$600m to A\$700m provided in the Company's update announcement on 5 February 2007 is due to increased costs of the acid plant, power plant and changes to the process circuit such as the use of calcrete which requires higher capacity handling equipment. The benefit of these changes is a reduction in operating costs.

The capital cost breakdown includes the following:

- Acid Plant \$170m
- Power Plant \$64m
- Borefield Development \$80m
- Heap Leach Pads & Ponds \$66m
- Processing Plant \$255m
- EPCM, temp camp & owner costs \$86m
- Contingencies \$144m
- Total \$865m

The technical assessment – a major component of the scoping study – shows that Nickelore's resource at Canegrass is well suited to the heap leach process. The site is close to well established infrastructure and the city of Kalgoorlie, therefore well placed for the development of a significant project.

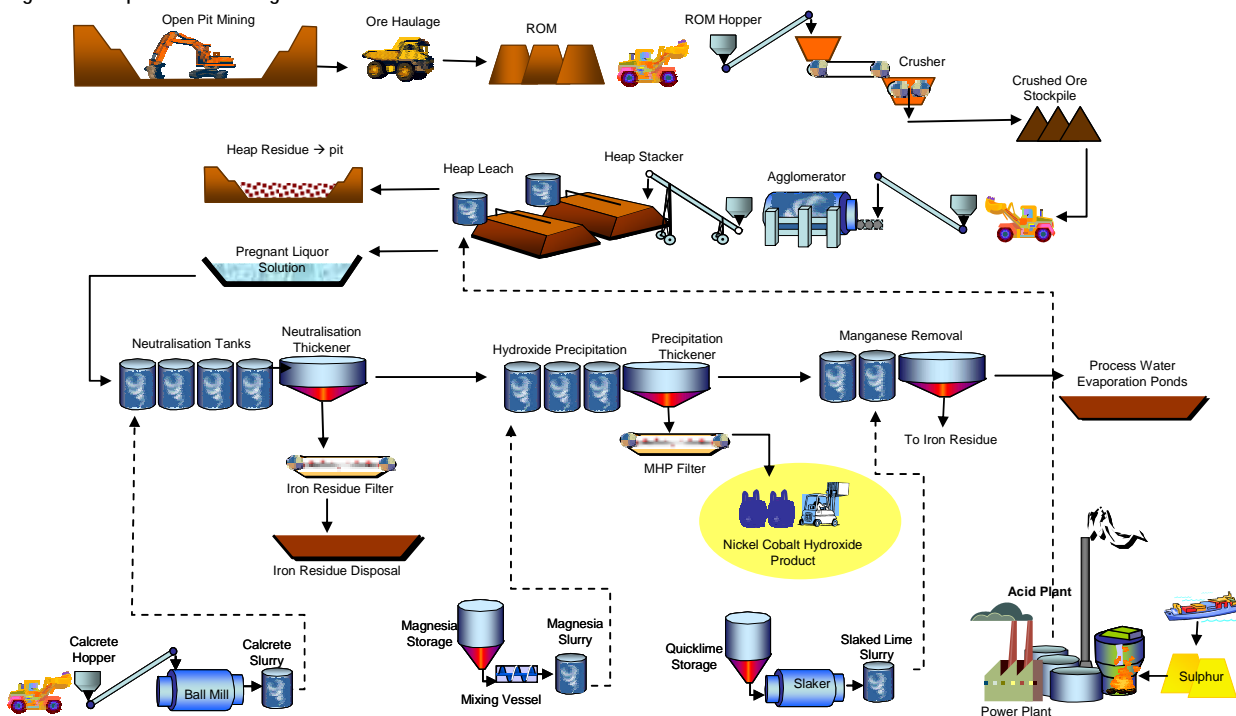
The metallurgical testwork has included both heap leaching and atmospheric leaching testwork. The testwork is now focused primarily on 4 metre column tests. These leaches are continuing to perform well and are achieving excellent percolation and leach kinetics consistent with those previously announced by the Company. The rapid leach kinetics has the potential for shorter heap leach cycles which will benefit the economics of the project. This aspect of reduced heap leaching cycles will need to be confirmed with the operation of a demonstration plant.

Managing Director Iggy Tan said today that the Company was delighted by the outcome of the scoping study and testwork.

“The scoping study contains a significant amount of detailed work, normally introduced at pre-feasibility level. The end result indicates a robust project which has the potential to deliver significant long term economic benefits to shareholders”.

Mr Tan said that the key driver of the economics of our project is the lower acid consumption compared to other heap leach projects as a result of the ore body characteristics. The Canegrass ore is predominantly a siliceous type ore (containing 50%-75% silica) with less clay and iron content than some other ores in the region. This silica component consumes minimal acid contributing to significant savings on overall acid consumption.

Figure 1 – Heap Leach Flow Diagram



“Acid consumption is the key economic driver of the project, representing approximately 35% of production and consumable costs. Subsequent neutralisation represents an additional 40%. This means that around 75% of the total production and consumable costs are related to ore acid consumption”.

Mr Tan said that based on the results, the Nickelore Board had decided to proceed to the pre-feasibility phase, the next stage of project development. Perth based engineering company BatteryLimits, with extensive knowledge experience of nickel laterite processing will remain as lead engineer.

The pre-feasibility stage will take approximately six months during which time capital and operating costs estimates will be refined and additional work relating to ore reserves, water, calcrete, operating recoveries and consumable supplies undertaken.

The Company has the mineral rights to mine and extract a total of 140,000 tonnes of nickel metal on the Canegrass project tenements, M24/290 and M24/39. The Company also acquired the nickel rights for 13 square kilometres of ground from Monarch Gold comprising the Siberia Nickel Laterite Project and 100% of tenements covering 14 square kilometres from Kalgoorlie-Boulder Resources, all of which are adjacent to the Canegrass project tenements. This establishes a combined additional project area of 27 square kilometers of highly prospective laterite nickel ground. The Company has previously announced additional laterite nickel exploration targets on the Canegrass project tenements and the discovery of a new zone of laterite nickel mineralisation on the Siberia project tenements. Further resource evaluation is planned for the pre-feasibility stage with the aim of identifying additional ore reserves and potential mine sites in adjoining areas, with the objective of providing sufficient reserves for the project.

Water supply remains as a very important challenge for the project with limited sources of water in the area. Fortunately, the project will be able to use hyper-saline water for the heap leaching.

With respect to risks associated with heap leaching of nickel laterites, Mr Tan said that Minara Resources, a HPAL producer, has very successfully developed and applied heap leaching technology to large scale commercial operations. "Minara is the most advanced in heap leach development in the world with reported expenditure of \$80 million over 4 years in testing, research and development, demonstration plant and commercial applications. "Minara has successfully heap leached scats and has now commenced heap leaching of ore on a large commercial scale. The company has stated that it intends to expand its nickel production through heap leach operations from 2,000 tpa Ni to 10,000 tpa.

"The Canegrass project has the potential to bring significant long term economic benefits to shareholders".



Iggy Tan
Managing Director

About Nickelore

Nickelore Limited is an emerging Perth-based nickel company listed on Australian Securities Exchange (ASX Code: NIO). The Company's primary focus is on the development of the Canegrass Nickel-Cobalt Project, 70 kms north of Kalgoorlie, Western Australia. The Company intends to develop a mining operation and demonstrate the heap leach process to meet full bankable feasibility study requirements for a commercial plant. Nickelore is also focussed on exploring, realising and expanding the economic potential of the Bardoc and Mt Pleasant Gold Projects, the Lake Marmion Uranium Project and the Goongarrie East Nickel Project in Western Australia's Eastern Goldfields. Nickelore's management and Board members have extensive experience in mineral exploration, project development and project financing.

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Caution Regarding Forward Looking Statements.

Statements regarding Nickelore's plans with respect to its mineral properties are forward-looking statements. There can be no assurance that Nickelore's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Nickelore will be able to confirm the presence of additional mineral deposits, that any mineralization will prove to be economic or that a mine will successfully be developed on any of Nickelore's mineral properties. Circumstances or management's estimates or opinions could change. The reader is cautioned not to place undue reliance on forward-looking statements.

The above evaluations are preliminary in nature and remain subject to completion of a feasibility study. The numbers shown may not reflect actual performance.