AusNiCo
New Nickel

Quarterly Activities Report
December 2011

Quarter Highlights

- 1,287 metre (12 hole) Reverse Circulation drilling campaign completed in Black Snake Plateau region to test geochemical and geophysical targets at: The Peak, Orion's Belt, Pembroke, Mt Coora North, Mt Cobalt, Mt Clara North and Silver Valley South
- Successful application for Ni-(Au-PGE) prospective Heazlewood River tenement in NW Tasmania
- Access Agreements submitted for Mt Slopea
- Planning for Geochemical sampling at Marlborough North, Princhester and Mt Slopea
- Evaluation of Koonenberry (Broken Hill), and Cloncurry continuing

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Achievements and Initial Exploration Results

Further Copper-Gold Intersections at Pembroke Prospect

- Protracted landowner negotiations were finalised providing for shallow preliminary drilling (2 RC holes for 190m) beneath the historic Pembroke workings. Further open ended near-surface Cu-Au mineralisation was encountered.

Silver-Copper Potential Expanded at Silver Valley

- New interpretation of the IP data has identified subtle linear chargeability features associated with scattered gossan, old workings and anomalous soil geochemistry to the east of the previously tested anomalies. A strategic drill hole (SVG12) partially tested the southern feature with anomalous silver (6m @ 4g/t Ag) encountered at shallow depths (12-18m) with >500m strike extent to be followed up.

IP Techniques identify New Targets

- 1,287m of drilling completed during the quarter (Mt Cobalt, Mt Clara, Mt Coora, The Peak, Silver Valley and Pembroke) using geophysics to support existing geochemistry.

Malborough South a New Nickel Sulphide Target

- Equivalent magnetic stratigraphy to Marlborough Nickel Project.
- Stream sediments up to 0.45% Ni.

New Nickel ground in NW Tasmania near Waratah

- Past exploration has reported Avebury style nickel sulphide up to 1.4% Ni at Fenton's Knob prospect within the AusNiCo tenement.

Metallurgical test-work successful

- Confirmed low Arsenic in Nickel sulphide concentrate.
- Simple flotation process will recover Ni sulphides.

Employment of electrical geophysical surveys (IP) at Silver Valley Prospect and Mount Clara/Mount Coora environs identified a number of resistive and chargeable responses indicative of disseminated sulphide mineralisation in lithological and structurally favorable locations.

Broad nickel intersections of 116m @ 0.29% Ni and more discrete gold and copper intercepts of 21m @ 1.04% Cu, 2.1g/t Au at Pembroke East (previously reported) already established the potential for a large open cut mineable region of mineralisation and the recent RC drilling has further delineated potentially open pittable copper and gold mineralisation in the highly anomalous area.

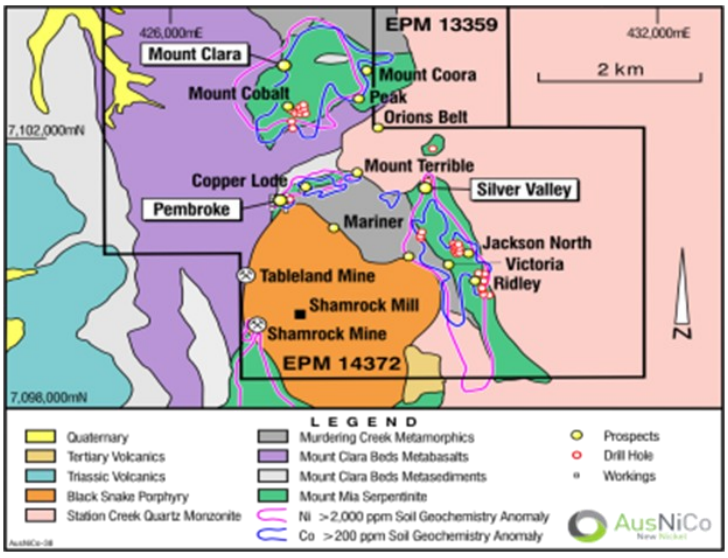


Fig 1:Pembroke Prospect drilling collar location plan

Pembroke Gold Copper

Historic Pembroke workings have been accessed with two preliminary shallow holes drilled beneath the main workings reporting anomalous intercepts (PEM-18: 22m @ 0.3% Cu, 0.3g/t Au from 18m; PEM-20: 6m @ 1.2g/t Au from 12m) immediately at and beneath the base of oxidation in altered Black Snake Porphyry adjacent to the serpentinite contact. PEM-19 was terminated in broken ground. Significant opportunities exist for down-dip higher grades in the sulphide zone and along N-S strike extensions at Pembroke.

Silver Valley

Significant tonnage is targeted with mapped surface gossan outcrop over a length of 500m and near surface intersections reporting 21.0m@1.0% Cu, 99g/t Ag; including 1.5m@6.2% Cu and 582g/t Ag at Silver Valley North. Previous drilling of prominent chargeability anomalies at central and southern Silver Valley indicated the source to be pyrite-dominated mineralisation proximal to the serpentinite/monzonite contact.

Reinterpretation of the Silver Valley pole-dipole IP data during the quarter resulted in delineation of NNW trending subtle linear chargeability features east of the previously tested anomalies associated with scattered gossan, old workings and anomalous soil geochemistry. A strategic drill hole (SVG12) drilled eastward from the earlier SVG11 pad partially tested the southern feature with anomalous silver (6m @ 4g/t Ag) encountered at shallow depths (12-18m).

Drilling Program Update

The drill program at Black Snake Plateau region moves AusNiCo closer to understanding controls of mineralisation and upgrading tonnage potential at Pembroke, Silver Valley and the Mt. Clara/Mt. Coora/Peak prospects.

Results of this drilling campaign are encouraging and contribute to an increase in the area of Ag-Cu-Au mineralisation at the Peak and Pembroke prospects.

Particularly, the results confirm the near surface Pembroke Cu-Au prospect remains open to the West and North and at depth offering potential to increase the size of the system.

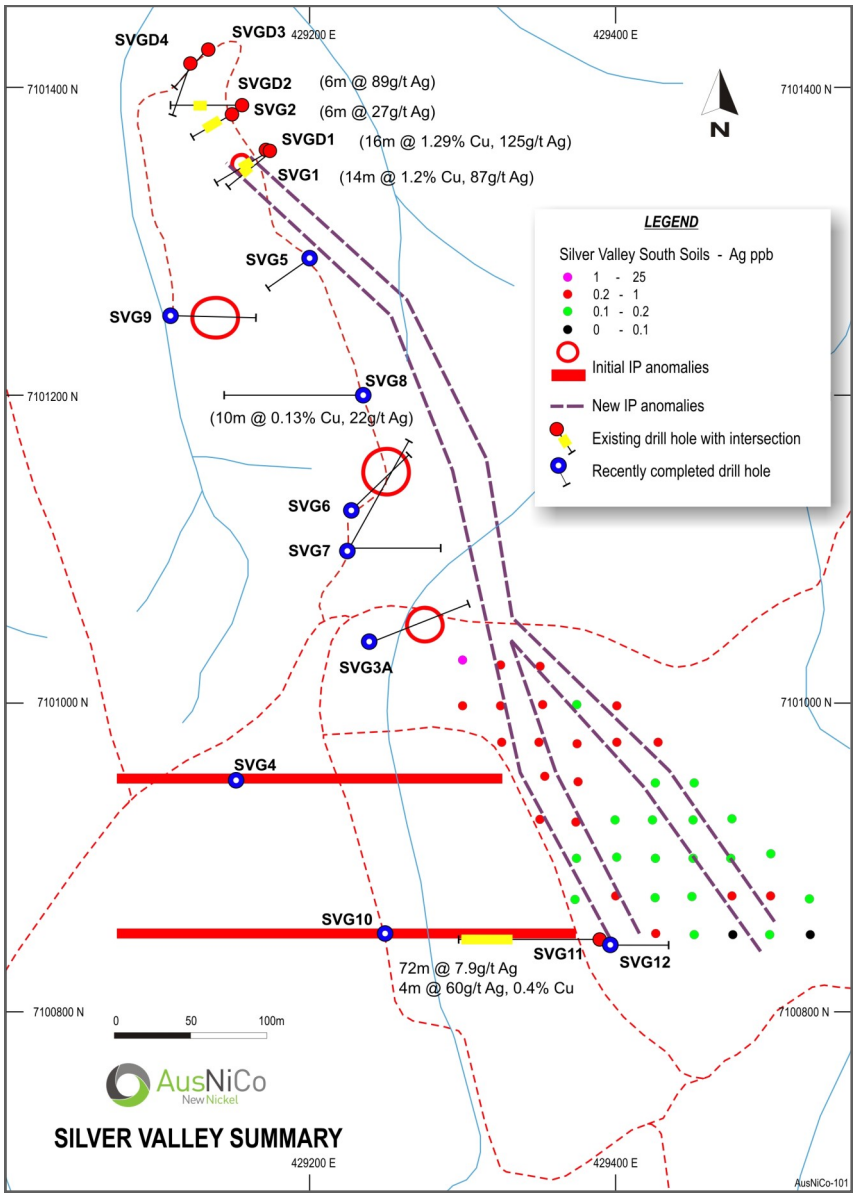
The Peak is a previously untested historic Ag-Cu-Au prospect that will add to the already identified mineral endowment in Black Snake Plateau region close to the non-operational Shamrock Mill.

Historic underground workings at the Peak extended over 200m of strike and high silver values from rock chips (+700g/t Ag) report, intermittently along the same serpentinite/quartz monzonite contact, over 5km south the Silver Valley prospect.

Drill Testing Completed at Black Snake Plateau Region

As reported to the ASX this quarter a series of 12 Reverse Circulation "RC" drill holes (including redrills) were completed at Black Snake Plateau Region in Queensland.

The 1,273m "RC" Drill Program tested a number of highly prospective prospects (see Fig 2) with the objective to test:



- Presence of Nickel sulphide mineralisation underlying the large nickel oxide discovery at Mt Cobalt Prospect;
- The "IP" anomaly proximal to the serpentinite/ metasediment contact at Mt Coora North Prospect;
- The prominent IP anomaly at Mt Clara North Prospect;
- The coincident IP and geochemical anomaly at the Peak Prospect and depth extensions to near-surface Cu-Ag-Au mineralisation at the Orion's Belt and Pembroke Prospects; and
- The coincident source of a previously unrecognised open ended discrete linear IP anomaly at Silver Valley.

Completed Geophysical surveys have delinated (chargeability) anomalies at Mt Clara North, Mt Coora North and the Peak. Significantly, these anomalies are coincident with the geological contact between the Mount Mia Serpentinite and the Mount Clara Beds Metasediments in the north and proximal to the Serpentinite/Station Creek Quartz Monzonite intrusive contact in the south which is similar to the regional setting at the Pembroke discovery (Serpentinite/Black Snake Porphyry contact).

High silver values from historic rock chips (+700g/t Ag) observed at the Peak and Orion's Belt Prospects occurring along the same

Fig 2 Mineralisation to extend over 5km of strike

geological contact provide strong encouragement that Silver Valley mineralisation may repeat over the 5km strike corridor from Ridley's in the south to The Peak in the north as previously reported. (see Fig 2.)

Recent Geochemical sampling combined with IP surveying and drill testing applied at the Silver Valley Prospect identified potential for significant accumulations of copper-silver mineralisation in high grade 'pods' (21.0m @ 1.0% Cu, 99g/t Ag; including 1.5m @ 6.2% Cu and 582 g/t Ag in SVG1 (Q1 2011)) in a 5km structural/contact corridor with intermittently outcropping surface gossan.

Reinterpretation of the Silver Valley pole-dipole IP data has identified new NNW trending subtle linear chargeability features to the east of the previously tested anomalies associated with scattered gossan, old workings and anomalous soil geochemistry. Drill hole (SVG12) drilled eastward from the earlier SVG11 pad partially tested the southern feature with anomalous silver (6m@ 4g/t Ag) encountered at shallow depths (12-18m). It is likely that the hole passed over the main target and will be redrilled together with follow-up of the >500m strike extent.

Mt Cobalt North: RC hole CC-01 was collared on a natural pad 400m north of Mt Cobalt targeting potential for nickel sulphide mineralisation. Results were disappointing with the entire hole reporting 204m @ 0.14% Ni with the upper 4m averaging 0.18% Ni. Moderate to strongly magnetic serpentinites were encountered and the principal magnetic anomaly further north of Mt Cobalt is yet to be drilled.

Mt Coora North: The centre of the prominent gradient array IP target was tested with a vertical RC hole (Coora-01) to 204m. The hole intersected grey/black fine grained phyllites/schists throughout with minor disseminations and veinlets of pyrite over a 46m interval (30-76m) immediately beneath the base of oxidation. The interval reported minor sulphide intersections for 10m from 48m and may explain the IP response. No significantly anomalous base or precious metal assays were returned with best assay of 2m @ 0.14% Cu, 3g/t Ag reporting at the oxide/sulphide boundary at 30m representing minor supergene enrichment.

Mt Clara North: The discrete moderate intensity pole-dipole IP anomaly north of Mt Clara was drill tested with a 204m inclined (-60) RC hole (Clara N-01). The hole intersected massive magnetic serpentinite with minor diorite dykes (65-70m) and local K-feldspar alteration (132-154m). Elevated sulphide was encountered between 40-78m and 132-154m Ni averaged 0.15% throughout the serpentinite. An intercept of 2m @ 3.76g/t Au was made at 182m. It is assumed that the weakly elevated sulphide content may be the causative source of the anomaly although further interpretations will be necessary.

Orions Belt: RC drill hole OB-01 targeted a small historic working in serpentinite close to the Station Creek Quartz Monzonite, Surficial gossan subcrop assays up to 700g/t Ag. The hole intersected oxidized and hornfelsed serpentinite to 31m followed by monzonite to 78m (EOH). Anomalous silver (14m @ 6.3g/t Ag) reported from 12-26m including 2m @ 25g/t Ag (+0.35% Cu) from 16-18m. An attempt to steepen the hole from the same pad (OB-02) was terminated at 35m in broken ground prior to the target sulphide zone.

Fig 3 Drill planning at Black Snake Plateau.

Fig 4 RC Drill Rig at The Peak prospect

Further Ag-Cu-Au Intersections at the Peak and Pembroke Prospects

Assay results support extensions to the Cu-Au-Ag mineralised system at The Peak and Pembroke. RC hole PK-01 targeted westerly and depth extensions to the east-west trending gossanous shear at the Peak Workings. Severe limitations to positioning of drill pads due to the rugged topography provided sub-optimal testing of the main Peak workings (PK-01) and the Peak West IP anomaly (PK-02; terminated at 138m with target at +180m). Both holes however intercepted a shallower parallel mineralised structure (PK-01 8m@43g/t Ag; 0.7% Cu & 0.24g/t Au from 50m; PK-02 10m@27g/t Ag; 0.4% Cu & 0.4g/t Au from 40m) which require follow-up sampling/mapping and targeted drilling in conjunction with follow-up of a new untested 10m zone of anomalous rock-chip geochemistry along the access track 40m north (10m@1.4g/t Au, 13g/t Ag). Preliminary analysis of the data suggests opportunity to exploit a series of 'en-echelon' Au-Cu-Ag mineralised structures along this highly prospective intrusive/serpentinite contact environs.

At the Pembroke historic workings and complex landholder negotiations over the last 13 years resulted in permission to drill 3 opportunistic holes shallowly beneath the workings. While deeper investigations were desired, 2 holes reported anomalous intercepts (PEM-18: 22m @ 0.3% Cu, 0.3g/t Au; PEM19 (abandoned in broken ground); PEM-20 6m @1.2g/t Au) immediately at and beneath the base of oxidation in altered Black Snake Porphyry adjacent to the serpentinite contact. Significant opportunities exist for down-dip higher grades in the sulphide zone and along N-S strike extensions at Pembroke.

Results of significant intersections of current results below:-

- PK-01 (50-58m) 8m @ 43g/t Ag, 0.7% Cu, 0.24g/t Au,
- PK-01 (50-58m) 8m @ 43g/t Ag, 0.7% Cu, 0.24g/t Au, including (50-56m) 6m @ 44g/t Ag, 0.8% Cu, 0.3g/t Au
- PK-02 (40-50m) 10m @ 27.2g/t Ag, 0.4% Cu, 0.4g/t Au,
  including (40-42m) 2m @ 54g/t Ag, 1.87g/t Au, 0.7% Cu and (46-48m) 2m @ 52g/t Ag, 0.7% Cu
- PEM-**18** (18-40m) 22m @ 0.33% Cu, 0.3g/t Au
- PEM-**20** (12-18m) 6m @ 1.2g/t Au
- OB-**01** (12-26m) 14m @ 6.3g/t Ag, including (16-18m) 2m @ 24.8g/t Ag, 0.35% Au

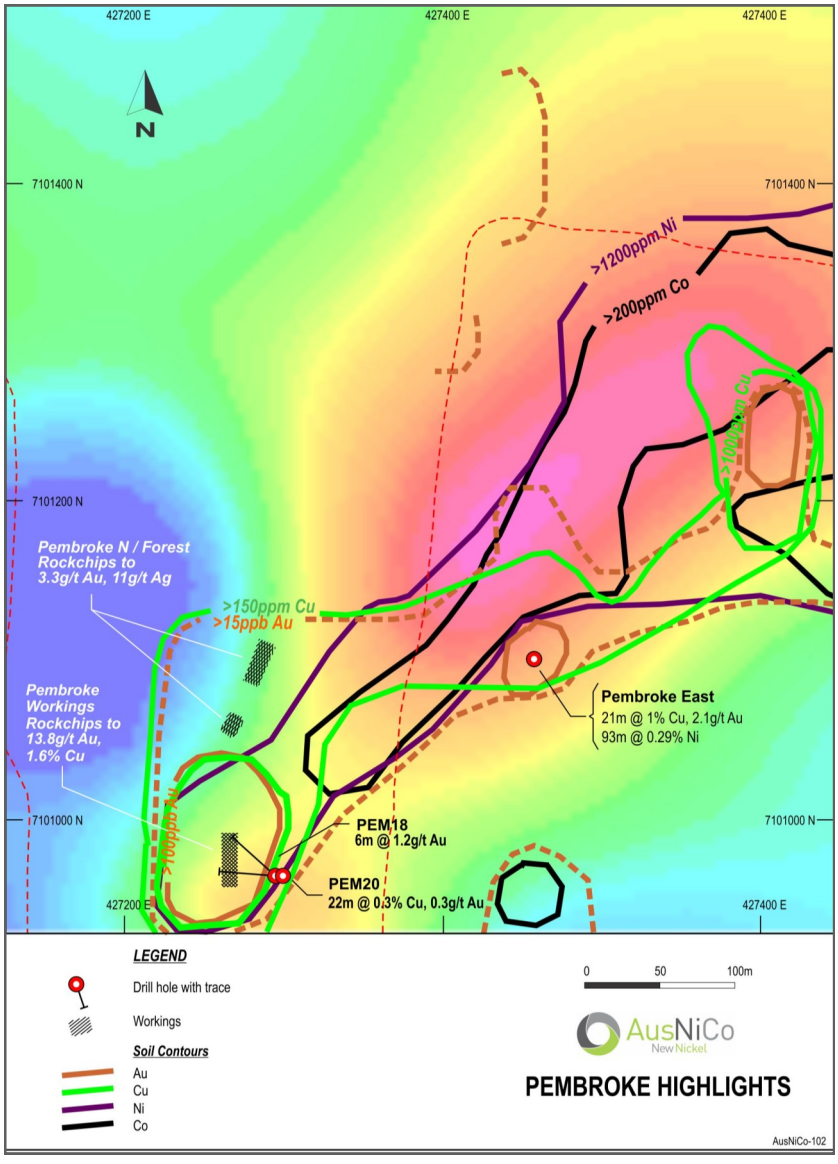


Fig 5 Neil Wilkins (DGR Global Group Chief Geologist) & John Roiko (AusNiCo Exploration Manager) at Pembroke

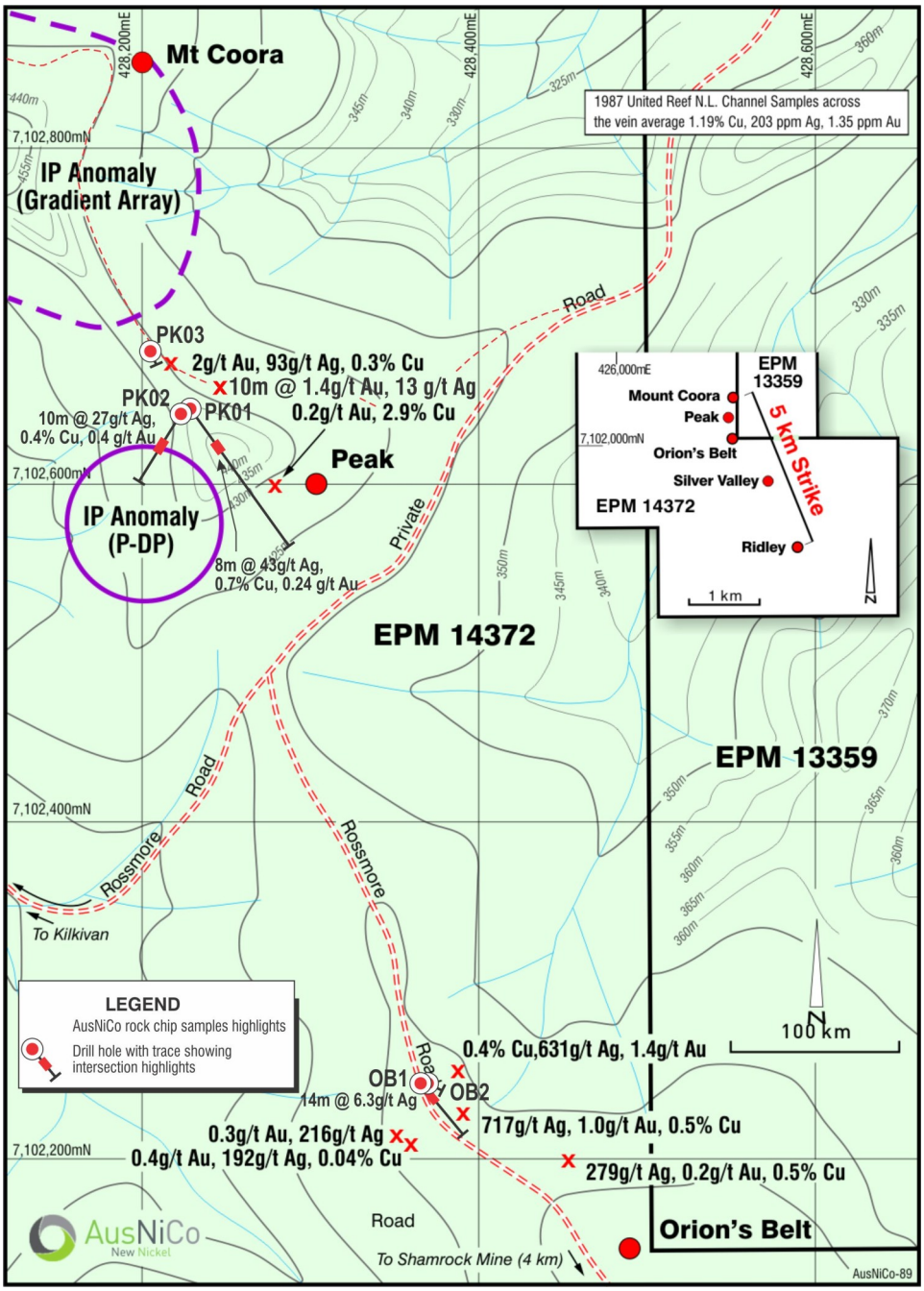


Fig 6 AusNiCo rock chip samples & drilling highlights at Peak and Orion's Belt

3. The assay results encountered before and after (either side of) the intersection of interest, as evidence of continuity down dip;

4. The depth of the intersection of interest;

5. The complimentary intersection assays (when looking at the combined significance across all elements); and

6. Those intersections that have relationships with a nearby hole, as evidence of continuity along strike.

Note in regard to assay significance, where no assay is reported (on previous page) the hole was not considered significant in that section of the hole. In this context the significance of a result has been determined by a geological assessment of a combination of the following factors:

1. Assays with results over and above the below thresholds:

- Au above 0.2ppm
- Ag above 1ppm
- Ni above 1,000ppm
- Cu above 1,000ppm
- Co above 100ppm

2. The true width of the intersection;

Drillhole	Easting	Northing	Elevation	Dip	Depth
CC01	427570	7102940	300	60	204
PK01	428229	7102646	436	60	204
PK02	428224	7102643	436	70	138
PK03	428205	7102680	433	70	24
Coora N 1	428194	7103489	387	90	204
OB1	428365	7102245	410	60	78
OB2	428368	7102246	410	70	35
ClaraN1	427742	7103662	300	60	204
SVG12	429395	7100844	520	60	72
PEM18	427295	7100964	497	60	72
PEM19	427298	7100964	497	70	24
PEM20	427295	7100965	497	60	72

Table 1. RC Drill hole collar location, azimuth, dip and EOH depth

New Highly Prospective Tenement in Tasmania

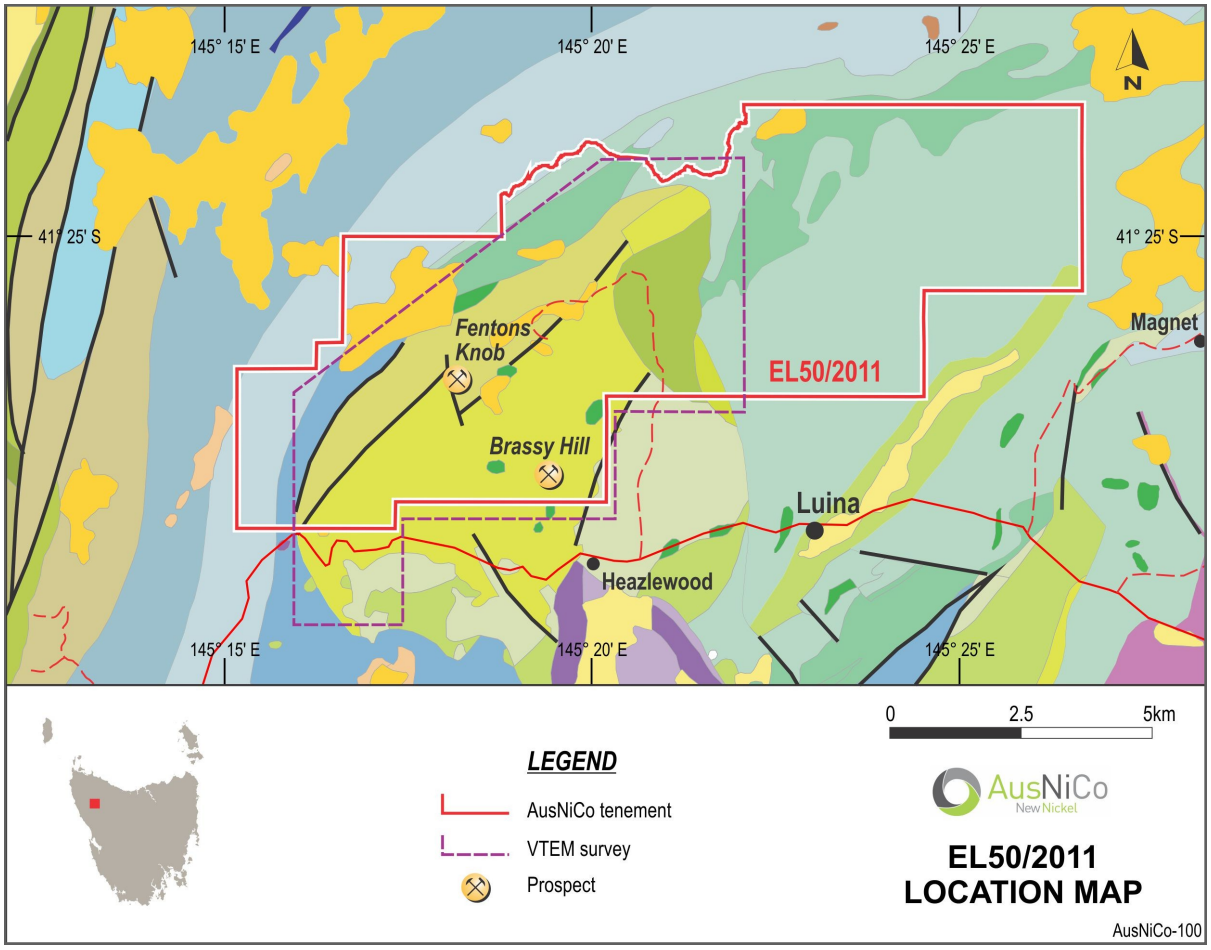


Fig 6. ERA 882 area over regional geology

Mineral Resources Tasmania advised that AusNiCo has been successful in its competing application for ERA 882 in western Tasmania near Heazlewood River. The tenement is located within the Devonian Meredith Granite and Cambrian Heazlewood Ultramafic complex and has numerous nickel and platinoid prospects as well as Cu, Pb, Zn and Au.

Past exploration work has reported Nickel sulphide breccia at Fenton's Knob containing up to 1.4% Ni sulphide (Avebury Style), surface rock chip values at Brassy Hill to 18.3g/t Au, 15%Pb, 8%Cu and 4.7%Ni and costeans at Fenton's prospect returned up to 6m @ 6.7ppm Pt and 9m @ 4.0ppm Pt.

The ERA area is located about 25km west of Waratah and the Mt Bischoff Tin (Sn) deposit (1.9Mt@0.96%Sn).

Fig 7: View West from Lord Brassy Mine (over mining residue to Gabbro Hill) Tasmania

About AusNiCo

Since making its debut on the ASX in October 2010, AusNiCo has identified disseminated nickel sulphides, and copper, silver and gold potential in its South East Queensland tenement package. AusNiCo has also added to its tenement position in Queensland, and in the Waratah region of Tasmania with EPM's prospective for nickel sulphides.

- Multiple commodities, including nickel, gold, silver, copper and cobalt;
- An extensive package of tenements with encouraging mineralisation in an area of continuing industrial growth and established infrastructure;
- Advanced Targets with the prospect of rapid drilling results;
- Accomplished Board and Management with substantial experience in the field of large Ni project exploration and development;
- Discovery of significant disseminated nickel sulphide mineralised zones in greenstone belts, initially in south east Queensland.

AusNiCo has 143,896,917 shares on issue.

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Electronic copies and more information are available on the Company website: www.ausnico.com.au

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On behalf of the Board
KM Schlobohm
Company Secretary

Competent Persons Statement

The information herein that relates to Exploration Results is based on information compiled by Nicholas Mather B.Sc (Hons) Geol., who is a Member of The Australian Institute of Mining and Metallurgy. Mr Mather is employed by Samuel Holdings Pty Ltd which provides certain consultancy services including the provision of Mr. Mather as the Managing Director of DGR Global Ltd (and a director of AusNiCo Ltd).

Mr. Mather has more than five years' experience which is relevant to the style of mineralisation and type of deposit being reported and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' (the JORC Code). This public report is issued with the prior written consent of the Competent Person(s) as to the form and context in which it appears