

**McMAHON
MINING
TITLE
SERVICES
PTY LTD**

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6th April 2005

The Principal Register
Titles Division
Department of Business, Industry and Resource Development
GPO Box 3000
DARWIN NT 0801

By Facsimile: 6 Pages

Dear Sir/Madam

RE: VARIATION OF COVENANT

On behalf of our client Discovery Nickel Ltd attached please find the following:

1. Variation of the Covenant for EL 23629 for the year ending 6th March 2005.
2. Expenditure statement for the period ending 6th March 2005.
3. Proposed work programme for the period ending 6th March 2006.

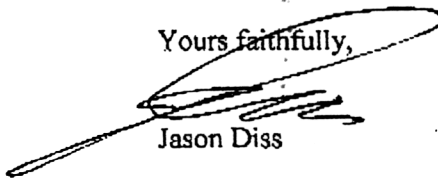
We seek leave from lodging an annual report as there was no reportable work completed on the tenement during the year.

For the prescribed fees please charge my credit card

Name:
Mastercard
Expiry:

Please do not hesitate to contact us if you require further information.

Yours faithfully,

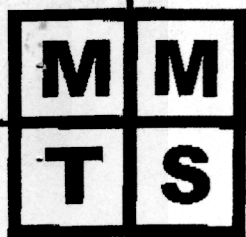

Jason Diss

CR20050086

Dept. Business, Industry
& Resource Development

06 APR 2005

Received: Titles Division
Minerals & Energy Group



**McMAHON
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Department of Business, Industry and Resource Development
GPO Box 3000
DARWIN NT 0801

Dear Sir/Madam

RE: EL 23629

On behalf of our client Discovery Nickel Ltd the reported expenditure for the EL 23629 for the year ending 6th March 2005 is:

Ground Survey	\$1,593
Annual Rent	\$781
Administration	\$5550
Salary / Wages	\$700
Accommodation / Meals	\$167
Consulting	\$647
Travel	\$60

TOTAL \$9,498

The annual report is currently been completed and we hereby request an extension of time of a further 30 days to lodge the report.

Please do not hesitate to contact us if you require further information.

Yours faithfully,



Jason Diss
Tenement Consultant

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6th April 2005

The Principal Register
Titles Division
Department of Business, Industry and Resource Development
GPO Box 3000
DARWIN NT 0801

Dear Sir/Madam

RE: VARIATION OF COVENANT FOR EL23629

On behalf of our client Discovery Nickel Ltd (Beneficial Holders of the tenements) we hereby request a variation of the Covenant for EL23629 for the year ending 6th March 2005.

The tenement is part of Discovery's Arunta project. The Arunta Project comprises of exploration tenements EL23391, 23392, 23393, 23395, 23629, 23271, 23074, 24357 and tenement applications ELA23394, 23396, 23397, 23398 and 23399. Discovery Nickel acquired a 100% interest in the Arunta Project from Falconbridge, upon the successful listing of Discovery on the ASX.

Prior to Discovery obtaining EL 23629, Falconbridge flew an airborne EM survey over much of the tenement. Interpretation of the airborne EM located a number of features interpreted as bedrock conductors. Unfortunately follow up ground EM over the targets failed to define bedrock. Discovery intends to reassess the GEOTEM over the tenement in light of the significant new sulphide system discovered on EL 23392 to the north. In 2005, Discovery plans to map the extent of the sulphide conductor found and plans to use the GEOTEM signature to define new targets in the GEOTEM data over the tenement.

Discovery plans to cover any new bedrock conductors with ground EM. If the ground EM confirms the conductive features as bedrock conductors then RC or diamond drill testing of the new targets will be undertaken.

The reportable expenditure for EL 23629 was \$9,498 compared to a commitment of \$37,002.

Discovery has spent a combined total in excess of \$497,000 on the Arunta project.

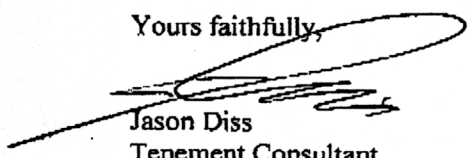
Discovery lodged a prospectus with ASIC on the 3rd November to raise \$4.5 million. Discovery successfully listed on the ASX on the 15th December raising \$4.5 million to carry out their planned exploration.

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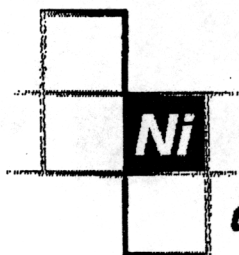
We hereby request that the variation of covenants be granted to allow Discovery to continue their exploration uninhibited by title compromise.

Please do not hesitate to contact us if you require further information.

Yours faithfully,



Jason Diss
Tenement Consultant

**discovery nickel limited**

ARUNTA PROJECT

WORK PROGRAM FOR EXPLORATION LICENCE 23629

Introduction

Exploration Licence 23629 is a part of Discovery Nickel Limited's Arunta Project which comprises exploration tenements 23391, 23392, 23393, 23395, 23629, 23271, 23074, 24357 and tenement applications 23394, 23396, 23397, 23398 and 23399. Discovery Nickel is exploring the Palaeoproterozoic rocks of the Arunta Province for Voisey's Bay style nickel-copper deposits. Discovery Nickel acquired the Arunta Project from Falconbridge (Aust.) Pty Ltd following the successful listing of Discovery Nickel on the Australian Stock Exchange on 17th December 2003.

Due to the fact that most significant nickel-copper massive sulphide deposits are extremely good conductors Discovery Nickel's exploration approach has relied heavily on airborne electromagnetic (EM) surveying, followed by ground EM to define targets. Drilling to date includes two diamond holes on adjacent tenements 23392 and 23074. Drilling at prospect B1 on EL 23392 north of EL 23629 intersected a significant new sulphide system. Additional GEOTEM was collected during October 04 over areas on EL 23395 and EL 23391, an indication of Discovery Nickel Limited commitment to this highly prospective area.

Work Program

Prior to Discovery Nickel acquiring exploration licence 23629 Falconbridge flew an airborne EM survey over much of tenement EL 23393 and the southern part of EL 23629. Interpretation of the airborne EM located four features interpreted as bedrock conductors all located on EL 23393, unfortunately ground EM failed to confirm bedrock conductors. Discovery Nickel now intends to reassess the GEOTEM over EL's 23629 and 23393 in light of the significant new sulphide system discovered on EL 23392 to the north. By using its GEOTEM signature we should be able to define new targets in the GEOTEM on EL 23629. DNL plans to cover any new bedrock conductors with ground EM. If ground EM confirms conductive features such as bedrock conductors then RC or diamond drill testing of the bedrock features will be undertaken.

The allocated budget for the ground EM follow up of the targets identified from the airborne EM data, followed by RC drilling is \$27,476. Included in this budget are the following items:

- Reinterpretation of the airborne GEOTEM data
- 2 days of ground EM surveying
- Interpretation and processing of the ground EM data
- Clearance of the proposed drill sites by the Traditional Owners
- 150m of RC drilling
- Contract geologist

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- Field Support (vehicle hire, field technician, travel)
- Rehabilitation
- Tenement Fees
- Administration (charged at 15%)

The detailed exploration Budget is shown in Table One.

Table One – Exploration Program Budget

Project	Arunta - 23629		AUD\$
Land Access			\$1,000
Airborne EM	0	line/km	\$0
Ground EM	2	days	\$6000
RC drilling	150	metres	\$15000
Geologist /			
Geophysicist	2	Days	\$1,100
Geochemistry		Samples	
Field Tech	3	Days	\$750
Vehicle Hire	3	Days	\$300
Travel			\$1000
Rehab	2	Days	\$500
Tenement Fee			\$1,826
Administration			
Total			\$27,476