

ARUNTA PROJECT

WORK PROGRAM FOR EXPLORATION LICENCE 23629

Introduction

Exploration Licence 23629 is a part of Discovery Nickel Limited's (DNL) Arunta Project which comprises exploration tenements 23391, 23392, 23393, 23395, 23629, 23271 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 the prospect B1 on EL 23392 north of EL 23629 intersected a significant new sulphide system. Additional GEOTEM was collected during October 2004 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 the GEOTEM signature of the B1 prospect sulphide system DNL 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 \$37,002. 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

registered office

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- Clearance of the proposed drill sites by the Traditional Owners
- 150m of RC drilling
- Contract geologist
- 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 - 23392 | | AUD\$ |
|-----------------------------|----------------|---------|-----------------|
| Land Access | | | \$3,000 |
| 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 | 5 | Days | \$1,250 |
| Vehicle Hire | 5 | Days | \$500 |
| Travel | | | \$2000 |
| Rehab | 3 | Days | \$1,500 |
| Tenement Fee | | | \$1,826 |
| Administration | | | \$4,826 |
| Total | | | \$37,002 |

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