



**McMAHON
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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 EL 23629

On behalf of our client Discovery Nickel Ltd (Beneficial holders of the tenements) we hereby request a variation of the Covenant for EL 23629 for the year ending 6th March 2006.

Exploration Licence 23629 forms part of Discovery Nickel Limited's (DNL) Arunta Project which comprises exploration tenements 23391, 23392, 23393, 23395, 23629, 23271, 23074 and tenement applications 23394, 23396, 23397, 23398 and 23399 and 24357. 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 Stock Exchange on 17th December 2003.

The ground contains numerous significant nickel occurrences and the Voisey Bay nickel deposit. Most significant nickel-copper massive sulphide deposits are extremely good conductors. Discovery Nickel's exploration approach relies heavily on airborne electromagnetic (EM) surveying, followed by ground EM to define targets. Drilling on the Arunta project to date includes two diamond holes on adjacent tenements 23392 and 23074. Drilling at prospect B1 on EL 23392 directly west of EL 23271 intersected a significant new sulphide system. During September 2005 additional EM was collected at B1 showing the western continuation of the previously intersected sulphide on 23271. Reassessment of 2003 airborne EM (GEOTEM) has highlighted additional anomalies on 23271 tabled for further work during 2006.