

LITCHFIELD PROJECT

2006 WORK PROGRAM FOR EXPLORATION LICENCE 23619

Introduction

Exploration Licence 23619 is a part of Discovery Nickel Limited's (DNL) Litchfield Project which comprises exploration tenements EL 10140, 22959, 22960, 22961, 23619, 23623, and tenement application ELA 22960. Discovery Nickel is exploring the Palaeoproterozoic rocks of the Litchfield Province for mafic hosted nickel-copper sulphide deposits. The area is interpreted to be an extension of the Western Australian, Halls Creek Mobile Belt, host to the Sally Malay Ni deposit. Discovery Nickel acquired the Litchfield Project from Falconbridge (Aust.) Pty Ltd following the successful listing of Discovery Nickel on the Australian Stock Exchange on 17th December 2003.

Most significant nickel-copper massive sulphide deposits are extremely good conductors. Discovery Nickel's exploration approach in covered terrains relies heavily on airborne electromagnetic (EM) surveying, followed by ground EM to define targets. In the Litchfield area however there is substantial sub-crop which does lend its self to more traditional geochemical exploration methods. In early October 2004 DNL flew an airborne EM survey over most of EL 23619. Data from this survey defined a number of EM anomalies that were covered with SMARTEM ground EM during October. From that survey 2 very high priority basement targets have been defined on 23619. DNL is currently negotiation with Titeline Drilling to drill test these EM targets before Christmas.

Work Program

During 2006 DNL plans to asses drilling from late 05 (yet to be completed), collect DHEM if required, collect more ground geophysics, SMARTEM, over additional GEOTEM anomalies and if warranted test new targets with drilling. DNL, dependant on 05 drill results, may also collect geochemistry over areas of interpreted Wangi Basics.

The allocated budget for further work on EL 23619 including: RC drilling, additional Smartem and geochemistry \$42,074 Included in this budget are the following items:

- 5 days of ground EM surveying
- Interpretation and processing of the ground EM data
- Clearance of the proposed drill sites by the Traditional Owners
- 250m of RC drilling
- Contract geologist/geophysicist
- Field Support (vehicle hire, field technician, travel)
- Rehabilitation
- Tenement Fees

head and exploration office

The detailed exploration Budget is shown in Table One.

Table One – Exploration Program Budget

Project	Arunta - 23619		AUD\$
Land Access			\$1,000.0
Ground EM	5	days	\$15000.0
RC drilling	250	metres	\$15000.0
Geologist /			
Geophysicist	6	Days	\$3300.0
Geochemistry	25	Samples	\$1250.0
Field Tech	6	Days	\$1500.0
Vehicle Hire	6	Days	\$600.0
Travel			\$2000.0
Rehab	3	Days	\$1500.0
Tenement			
Fee			\$924.0
Total			\$42074