ANNUAL REPORT
EXPLORATION LICENCE
EL 10140
WINGATE
NORTHERN TERRITORY

FOR THE YEAR END
14th MARCH, 2006.

PREPARED BY: GRAHAM CHRISP/TRUDY PEARCE
INDEX

1. PROPERTY DESCRIPTION AND TENURE
2. ACCESSIBILITY AND INFRASTRUCTURE
3. GEOLOGICAL SETTING
4. PREVIOUS EXPLORATION, OPEN FILE SEARCHES
5. EXPLORATION COMPLETED BY DISCOVERY NICKEL
6. WORK PROGRAM 2005
7. EXPENDITURE
1. PROPERTY DESCRIPTION AND TENURE

EL 10140, consisting of 154 sub-blocks, was granted to Corporate Developments on 14 February 2003 for a period of six years. Subsequently, Falconbridge obtained an option agreement over the tenement in order to undertake exploration work.

Falconbridge's interest in the tenement was transferred to Discovery Nickel Limited under a Terms Of Agreement dated 15 October 2003 that covered all of Falconbridge’s tenements on the Litchfield Project. Discovery Nickel transferred the tenement back to Corporate in December 2005. Tenement details are in Table 1.

<table>
<thead>
<tr>
<th>EL</th>
<th>Sub-blocks</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Expenditure Commitment Yr 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>10140</td>
<td>154</td>
<td>14.02.03</td>
<td>13.02.09</td>
<td></td>
</tr>
</tbody>
</table>

2. ACCESSIBILITY AND INFRASTRUCTURE

The project area can be accessed via the all weather Stuart Highway that runs between Darwin and Alice Springs. Then the Port Keats road to Daly River, Daly River is a township of approx one thousand people and is only a few km north of EL 10140.

The region is considered accessible however the area is subject to the summer monsoons and quite often during this period can be cut off due to flooding. In general the area is arable supporting livestock and fruit trees.

3. GEOLOGICAL SETTING

The Litchfield Province is part of the western Pine Creek Inlier and southern extensions and is correlated with the Halls Creek Mobile Belt of the Kimberleys which contains numerous significant magmatic nickel occurrences and deposits such as Sally Malay. The Province contains Proterozoic to Quaternary geological units, including Proterozoic meta-mafic and meta-ultramafic units referred to as the Wangi Basics. These mafic and ultramafic rocks are considered to be a likely host for Cu-Ni sulfide mineralization similar to that in the Halls Creek area.

In the tenement area, there is considerable cover of Cambro-Ordovician sediments over Palaeoproterozoic basement of Myra Falls Metamorphics and Nourlangie Schist, together with Palaeoproterozoic granite (Mount Litchfield Granite). One body of northwest trending mafic-ultramafic intrusive is mapped in the Wangi area. Aeromagnetic data suggest northwest, north northeast and
north-south structural controls and the possibility of other similar mafic/ultramafic bodies.

Deformation and metamorphism during the Nimbuwah Event (Needham, et al., 1988) is to upper amphibolite facies and is dated at 1870-1855 Ma. Rocks in the Litchfield Province are at least ~1885 Ma in age (Page et al., 1980).

The Proterozoic Wangi Basic rocks contain a range of largely mafic to ultramafic rocks including gabbro, felsic gabbro, dolerite, basalt, anorthosite, diorite, periodotite, pyroxenite, hattrzbergite and troctolite. These rocks have undergone a single episode of high greenschist to low-amphibolite facies metamorphism. They are considered to be mainly intrusive however minor extrusive varieties have been noted due to presence of interpreted pillow lava structures. In the general region, the Wangi Basics have been dated as ~1850-1840 Ma (Page et al. 1984) and have intruded the older rocks of the Hermit Creek Metamorphics (~2400 Ma) and also the Finnis River Group (~1880 Ma). The Wangi Basics are considered to be slightly older than the Mount Litchfield Granites (~1850-1840 Ma) that are widespread in the Litchfield area. The Wangi Basics have also been correlated with the Zamu Dolerite in the Pine Creek area (Needham et al., 1980) and the Golden Dyke Metadolerites (Maddocks 1985).

Based on a small number of analyses, Maddocks (1985) concluded that the Daly River Metadolerites (Wangi Basics) are probably oceanic tholeiitic basalts. Maddocks suggests that these “Si-rich” mafic rocks (relative to the other basalts in the Pine Creek Geosyncline) are related to the Golden Dyke Metadolerites (exposed further to the northeast), and were derived from the progressive differentiation of a single basic magma.

4. PREVIOUS EXPLORATION, OPEN FILE SEARCHES

The previous exploration over the area was initially assessed by Falconbridge and its consultants (e.g. White 2001). Prospecting and small scale mining in the Litchfield area commenced in the late 1800s to early 1900s. Small gold, copper and tin prospects were worked during these times. The largest known base metal prospects occur in the Daly River area (e.g. Daly River Copper Mine). This mine has a past production of ~6000 tonnes of ore at 20% Cu, extracted between 1884 and 1918. The workings at the mine consist of 22 shafts and an opencut. Other Pb, Zn, Ag prospects also occur in the area, hosted within the same Proterozoic submarine volcanic rocks along strike. A resource at Anomaly A nearby is quoted as 300,000 t @ 12% Zn (Ahmad 1998). In addition, small tin-tantalum prospects hosted within pegmatite veins were worked during this era.

Modern minerals exploration at Litchfield began in the 1960s and 1970s. Several companies such as Planet, Western Nuclear, Le Nickel, BHP, Kewane, Mobil, Uranez etc. explored the area for uranium, base metals and diamonds. Minor coal exploration was also carried out (Utah). Planet Management and
Research Pty Ltd discovered anomalous Ni-Cu stream/soil geochemistry at the Sandy Creek Mafic Complex (to the south).

Larger exploration programs for base metals, diamonds and uranium were undertaken in the late 1970s to 1980s by companies such as Suttons in JV with Mobil Energy, Urangasellschaft, Carpentaria, BHP, Stockdale, Geopeko, PNC, Total and Idemitsu. Mobil (in JV with Suttons), and also Carpentaria (MIM) carried out widespread regional stream sediment sampling programs across the region. These two companies worked the region for many years and identified several key areas in which they focused their detailed follow-up work. These exploration efforts included widespread regional stream sediment programs (with Ni assays) which have been digitally captured. Mobil recognised the significant Ni anomaly over the Sandy Creek Mafic Complex previously identified by Planet.

The BMR flew wide-spaced aeromagnetic in 1964 and more detailed aeromagnetics/ radiometrics in 1984. Reconnaissance drilling and 1:100,000 scale geological mapping was undertaken by the NT geological survey in 1982-83.

During the 1990s, the key exploration efforts were from RGC, Geopeko, Troy Resources, North, CRAE, Stockdale and Black Range Minerals. During this period, one of the key targets was VHMS mineralisation in submarine volcanics (Proterozoic Barinka Volcanics, Muluk Muluk Volcanics and Warrs Volcanic Member). No significant prospects of this type were discovered. Stockdale focused their diamonds exploration along the western side of the area, along the Tom Turners Fault, which is interpreted to be along strike from Argyle. Black Range Minerals followed on from Stockdale and identified a number of stream-soil Cu-Ni-Co anomalies.

In summary, the Litchfield area has received a large amount of diversified regional-scale (greenfields) exploration work. A large proportion of the previous work was for uranium and diamonds, using regional stream geochemistry, aeromagnetics and radiometrics as the main exploration tools. Only a very small proportion of the previous work was dedicated towards Ni-sulfide exploration. The base metal exploration efforts have been mainly for Cu and Zn within the Proterozoic submarine volcanics, (e.g. along strike of the Daly River Copper Mine). In many cases, Ni was not analysed for in many of the previous geochemical surveys.

It is thus concluded, that the Ni-PGE potential of the Litchfield area remains high and has not been downgraded by the previous exploration.
5. **EXPLORATION COMPLETED BY DISCOVERY NICKEL**

Exploration completed during 2004/2005 within EL10140 included the following:

- Access negotiation
- Revision of proposed soil sampling program
- Completion of soil sampling
- Interpretation of soil geochemistry results. Targets Defined
- 2004 GEOTEM\(^\text{TM}\) Survey

**2004 EL10140 Soil Sampling Program**

During September-October 2004, soil sampling was initiated to test three prospect areas for Ni-Cu-PGE mineralisation, associated with the Wangi Basics (Sandy Creek Prospects).

At **Sandy Creek Prospect**, a large layered mafic complex exists at surface over an area of approximately 5 x 7 km. This area is strongly magnetic and highly anomalous in the regional stream sediment data for Ni and Cu (see White, 2001). The centre of the complex is well exposed showing large outcrops of norite, gabbro, gabbronorite, anorthosite and rare troctolite. These rocks are layered in places with a NE-trend, and were chip sampled by Falconbridge in 2001. However, the edges of the mafic complex are poorly exposed and some peripheral areas have red-brown residual soil cover. A series of soil lines were designed to cover the edges of the complex, the magnetic highs, and the interpreted base/top of the intrusive complex (possible feeder systems). -80 Mesh samples were collected along a total of 12 lines in this area.

The program highlighted one significant Ni-related anomaly on its southern side (LFGC3). The LFGC3 anomaly occurs at the far southern end of this prospect and shows significant Ni-Cu-Pt-Pd-Co-(Au) anomalism. The anomaly is only represented on one line (SCG) and occurs in an area of an outcropping, NE-trending ridge of mafic gabbro, surrounded by inferred residual soils. The area also shows significant magnetic anomalism. The area is quite remote and has poor vehicle access.

The Ni-Cu-Pt-Pd-Co anomalism in this area is interesting as it occurs within the large body of the Sandy Creek Mafic Complex. The absolute values of the anomaly are quite low (maximum of 55 ppm Ni and 61 ppm Cu) and may simply represent lithological variations, but the anomaly contrast here suggests possible metal enrichment within this part of the intrusive complex. This location was interpreted as the top of the intrusive body by previous workers Mobil, but it may in fact be the base of the intrusion (possible feeder) and therefore it warrants further consideration. A minor gold in soil anomaly occurs along the same line but is off-set further to the west. The LFGC3 anomaly is only on one line and has not been closed off to the south.
2004 GEOTEM™ Program

In October 2004 GEOTEM™ was collected by Fugro Airborne Services over two areas of Wangi basics in the Litchfield Project area south of Darwin. A total of 1009 line km of data was collected to form the Sandy Creek Survey block, contained mostly within EL 10140.

At Sandy Creek one interesting anomaly can be seen in the centre of the survey SCEM_1 (Fig 5). It has a broad mid time response that becomes more focused in the later times. The response occurs on two lines. This anomaly sits in the main Sandy Creek ultramafic complex and is coincident with a subtle magnetic horizon just north of a geochemical anomaly defined in the recent soil sampling (Fig 4). There are also two end of line anomalies (SCEM_2 and 3). The Location of SCEM_2 and SCEM_3 on the magnetics (Fig 6) shows they sit away from interpreted Wangi Basics and are probably end of line artifacts in the data.

6. WORK PROGRAM 2005

During this reporting period Discovery Nickel were involved in a site visit to the very subtle Geotem EM anomaly at Sandy Creek Complex. While there Matt White and Andrew Johnstone also had a look at the subtle geochem anomalies defined in the 2005 survey. They determined there was no economic potential, the em anomalism being related to a shallow clay filled depression, and the geochem anomalies were barely above detection (it is a mafic complex). Overall the Sandy Creek complex is very felsic in nature and quite different from the high MgO mafics usually associated with Ni mineralization, hence there down grading of the area.

During this period Corporate Development had geological consultants (Curtis et al) assess the uranium, gold, copper and nickel/platinum potential in the EL including detailed modelling of aerodata (magnetics, gravity and radiometrics).

Several separate styles of mineralisation exist on the EL as follows:

1. Ni/Pt – An Extensive layered mafic complex, with anomalous values of nickel & platinum.
2. U – At Wingate, almost all of the felsic extrusive and intrusive units are radioactive, and above background uranium levels are common. The prolonged period of heating and cooling provided adequate opportunity for the mobilisation and concentration of uranium into high grade deposits, assisted by the Victoria River Fault Zone which crosses the EL. Uranium in a similar setting has been found at the nearby Daly River basement field.
3. Au/U/Cu – Potential existss for Gold/Copper/Uranium deposits, particularly in the Berinka Volcanic sequences. Although much more work needs to be done, several gold occurrences (Specky
Creek, Bubbles, Terrys etc) are known to exist from previous exploration. Plotting of these occurrences on geological overlays clearly shows the target stratigraphy for gold mineralisation.

Field work done during this period by Corporate comprised of a visit to the Geotem EM anomalies in the Sandy Creek Complex.

7. **EXPENDITURE**

Annual expenditure for EL 10140 is summarised in the Table below.

**Table 3 - Expenditure Details.**

<table>
<thead>
<tr>
<th>Type of Expenditure</th>
<th>Costs (GST exc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary/Wages</td>
<td>5342.87</td>
</tr>
<tr>
<td>Geological Consulting</td>
<td>390.91</td>
</tr>
<tr>
<td>Land Fees</td>
<td>$5000.00</td>
</tr>
<tr>
<td>Expenses</td>
<td>2239.64</td>
</tr>
<tr>
<td>Rent</td>
<td>3388.00</td>
</tr>
<tr>
<td>Administration 15%</td>
<td>2454.21</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$15,815.63</strong></td>
</tr>
</tbody>
</table>