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EXPLORATION LICENCE 31/2003

NINETEEN MILE CREEK

TASMANIA

Progress Report for the Period

26th March 2004 to 25th March 2005

VOLUME 1 OF 1

Prepared by: _____

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RFI - Perth (1/3)
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1. SUMMARY:

Work completed on Exploration Licence EL 31/2003 Nineteen Mile Creek in the period March 2004 to March 2005 has included a review of historical exploration combined with a field visit by Stewart Capp of Exploration, Mining & Resource Services.

Pioneer Nickel entered into a joint venture with Resource Finance & Investments Limited(RFI) who became the managers of the joint venture. RFI have formed a strategic alliance with Geoinformatics(GEX) to utilise GEX's proprietary 3-dimensional software processing technique. GEX will be combining all historical exploration data and modelling the data for target generation.. Preliminary geophysical and geochemical processing by GEX is included as an appendix.

2. INTRODUCTION:

This report summarises exploration completed on EL 31/2003 for the period 25/03/2004 to 24/03/2005. The tenement is located 10km west of the township of Waratah (Figure1) with access provided by the sealed Waratah to Savage River Road. Access within the tenement is limited to a few dry weather tracks. See Appendix1 for a more detailed description of access conditions within the Nineteen Mile Creek tenement. The tenement is currently a joint venture between Pioneer Nickel and Resource Finance and Investments.

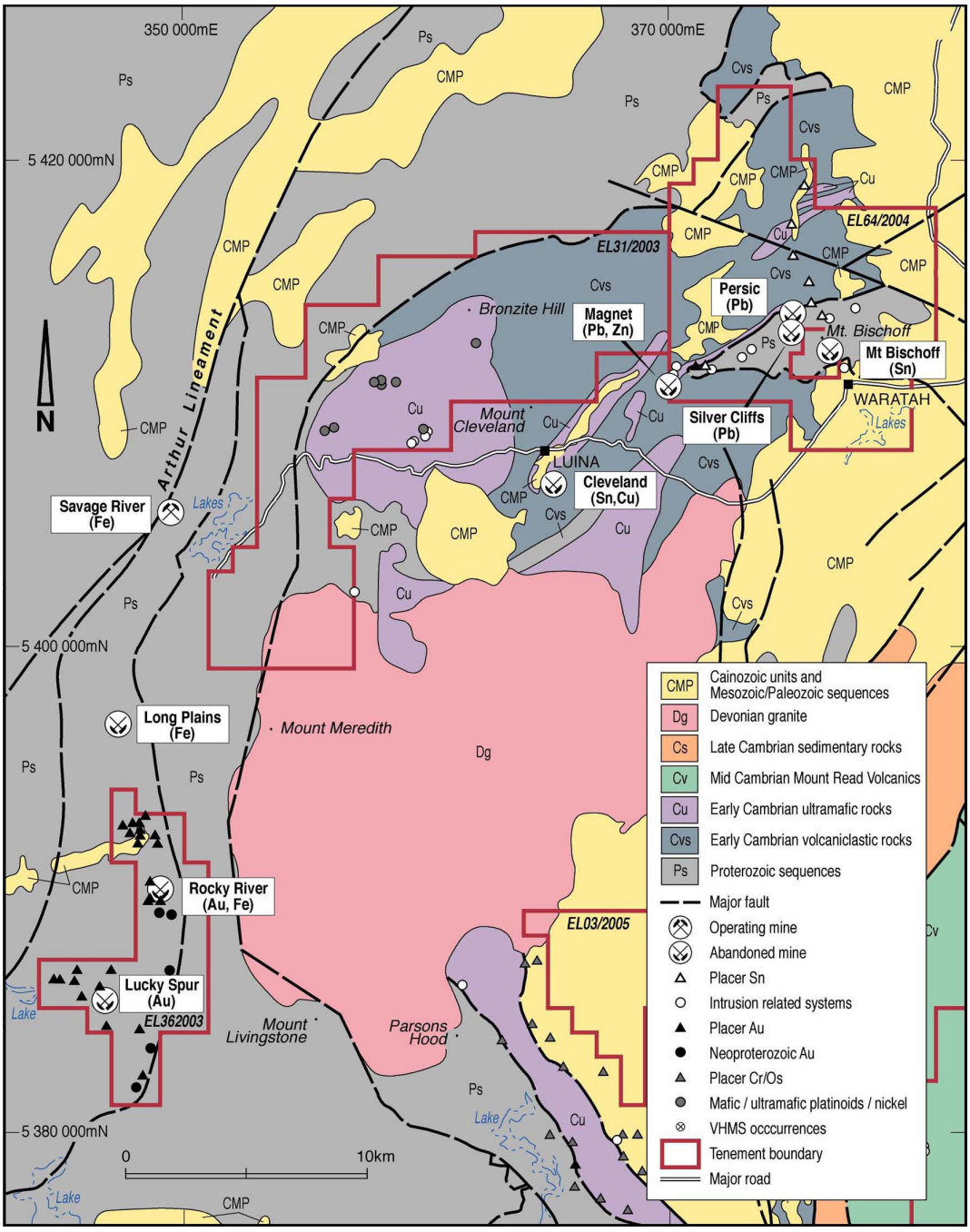

Figure1 – Tenement Location of EL31/2003 in centre with geology

3. HISTORICAL EXPLORATION:

Mineralisation was first discovered in the area in the late 1800's with the discovery and working of the Lord Brassey Ni Mine, the Jasper Hill Cu/Au mineralisation and a number of minor Pb-Zn occurrences as well as the Osmiridium workings.

- The Heazlewood Complex was the world's largest supplier of osmiridium won from minor alluvial and bedrock workings. Total recorded production from the entire field was of the order of 15,526oz of osmiridium alloy.

- Small scale nickel mining comprising approximately 300 m of underground development was undertaken Lord Brassey Mine within EL31/2003. Nickel mineralisation consists of Heazlewoodite and pentlandite. The mineralisation is hosted in three shears orientated to the NE.

- Cu and Au was mined from the Jasper Hill and Duffs Hill Mines to the south of the Tenement, where mineralisation is associated with a quartz and jasper gangue hosting stringer style chalcopyrite veins. Gold and Ag tellurides occur as isolated inclusions within the chalcopyrite. The lodes are thought to represent Cambrian hydrothermal mineralisation that was remobilized during Devonian deformation and the intrusion of the Meredith Granite.

Previous Exploration Work

Notable exploration work includes work by:

- Pioneer (2003-04) in preparation for field work collated all available digital data in MapInfo format and reprocessed the geophysical data to complete new interpretations for target identification.
- Allegiance Mining NL (2001-02), who recognized the potential for Ni-skarns but carried out no field work before relinquishing the RFI project area. Allegiance did not have the NE portion of EL31/2003 (Rachel and Friday Creek area), containing the Crimson Creek rocks.
- CRA (from 1992 to96) looking for Ni and Cu-Au mineralisation (EL36/1992) carried out regional stream sediment and rock chip sampling work. CRA concluded that the Ni anomalism was consistent with silicate Ni sources and that the Cu-Au mineralisation was confined to low tonnage deposits hosted in faults of Devonian Age.
- Metals Exploration (from 1985 to 89) targeted Ni and pt mineralisation through extensive mapping and sampling programmes over known mineralised areas and completed some EM and ground magnetics surveys. They achieved better results of:
    - At Fenton's from costean sampling – 4 m at 1.03 ppm Pt, 6 m at 6.7 ppm Pt, 9 m at 4.0 ppm Pt and 6 m at 5.8 ppm Pt. However poor repeatability and potential surface effects downgraded the significance of these results.
    - At Brassy Hill spot rock chip results of: 2.5 % Cu and 4.3g/t Au, 8.0 % Cu and 18.3 g/t Au, 15 % Pb and 3.9 % Zn and a final sample grading 4.7 % Ni.

  Drilling completed by Metals Exploration on the above prospects failed to intersect economic mineralisation at depth.

- Comstaff were active over a 15 year period from 1968, and whist it conducted a large volume of work there is very little hard data was reported and little factual information can be derived from the reports. It appears that after a failing to find new osmiridium deposits they conducted several regional geochemical and geophysical surveys which generated 13 target areas including the Christmas Creek area. No mineralisation appears to have been delineated but the quality of the work is difficult to asses as the detail was not reported and they appear to have left untested targets at Christmas Creek.

4. GEOLOGY:

The tenement covers 75km2 of Early Cambrian volcanics and ultramafics that are exposed on the margin of the Devonian Meredith granite between the villages of Luina and Waratah. Gravity modelling indicates that the Meredith Granite is shallow subsurface through much of the tenement. A cupola of the Meredith Granite hosts the Mt Bischoff Sn deposit (1.9Mt @ 0.96% Sn), which is completely surrounded by the Waratah tenement

The Heazlewood Ultramafic Complex which is situated in the centre of the tenement is interpreted to represent a high level intrusion which was emplaced into the rocks of the Dundas Trough during the Middle Cambrian. It consists of a 5km thick sequence of layered ultramafic cumulates and cross cutting gabbroic rocks, overlain by up to 3km of tholeiitic basalts. The Late Devonian Meredith Granite outcrops to the south of EL31/2003.

Interpretation of regional magnetics data suggests that the Heazlewood Ultramafic Complex underlies much of the North Eastern portion of the tenement, and that this is in turn underlain by the Meredith Granite at depth

5. GEOPHYSICS:

The Nineteen Mile Creek tenement is dominated by the extensive gravity high which reflects extensive nature of the Heazlewood Complex. Preliminary processing by Geoinformatics has been included as Appendix 2 of the report. The gravity high is one of the most intense in Tasmania and reflect a large body or mafic/ultramafic material. The centre of the tenement is also associated with a magnetic high reflecting the extent of the Heazlewood Ultramafic Complex and surrounding Cambrian Volcanics.

6. GEOCHEMISTRY

Geoinformatics contracted IO Geochemistry to process the historical surficial geochemical assays. It is believed that while the most obvious anomalies most likely have been followed up by previous explorers, there is likely to be a number of subtle indices and ratios pertaining to distal ore bodies that may have not been followed up. Processing of the surficial geochemical assays will include:

- Compiling and levelling multi-survey / multi source data
- Levelling against surface geology
- Application of ratios and indices to highlight subtle variations in anomalism
- Generating a suite of exploration geochemistry images.
-

An example of the geochemical processing completed to date is included in Appendix2

7. PROPOSED EXPLORATION

The relatively intense nature and quality of surface exploration over the outcropping portions of the Heazlewood Complex suggests that the potential to locate outcropping nickel mineralisation or sub-economic surface expressions of significant mineralised systems is limited. As well the amount of historical, systematic drainage geochemistry and geophysics carried out over the Crimson Creek Formation (albeit poorly reported) also suggests that the potential to locate outcropping mineralisation in this area is low.

However blind targets for the following styles of mineralisation are possible and should be assessed:

- Platinum Group Elements (PGE) in sulphide lodes within the Heazlewood Complex.
- Remobilized base metal and/or PGE's such as found at Allegiance's Avebury deposit.
- Carbonate Replacement or sulphide replacement tin deposits, in the Crimson Creek Formation.
- Structurally hosted gold mineralisation.

The nature of bedrock mineralisation in the area suggests that remobilization of metals during the intrusion of the Meredith Granite has occurred highlighting the potential for Avebury style targets. Like Avebury the northeast portion of the licence area contains ultramafic within the likely thermal aureole of the Meredith Granite. The country rocks comprise the crimson Creek Formation a correlate of the Avebury host rocks. A major structure (fluid conduit) occurs to the south west.

RFI proposes to undertake the following work to assess this potential:

1. Integrate data in to the regional 3-d geological model and database – assess targets and modelling of the granite contacts.
2. Fly a helicopter borne EM system (also collecting magnetics and gravity data) over the project area to support conceptual buried targets and identify new targets. This will comprise approximately 90km^2 of the tenement is flown, from the western margin of the ultramafic to the eastern tenement boundary. This covers both the Heazlewood Complex and the Crimson Creek Formation.
3. This would, if justifies be followed up by ground based EM, auger soil geochemistry and mapping to define low order bedrock anomalism that may be associated with an alteration system in the hanging wall of blind mineralisation.
4. Drill testing of strong EM targets will be required in order to progress the project past this point.

APPENDIX 1

REPORT BY EXPLORATION MINING & RESOURCE SERVICES

APPENDIX2

JUNE REPORT BY GEOINFORMATICS ON GEOPHYSICAL AND GEOCHEMICAL PROCESSING