



ASX ANNOUNCEMENT 14 JULY, 2006

MITHRIL RESOURCES EXERCISES OPTION TO FARM IN ON ARAFURA'S HAMMER HILL Ni-Co-Cr PROJECT

HIGHLIGHTS

- Mithril exercises option to farm-in of Arafura's Hammer Hill tenements
- Soil sampling identifies strong nickel-cobalt-chrome anomalism over 6 x 2 kilometres area around Hammer Hill ultramafic body
- Nickel values to 3,661 ppm, chrome values to 14,509 ppm and cobalt values to 337 ppm in soil samples

PROJECT DETAILS

The Hammer Hill project is a target for magmatic nickel-copper sulphide mineralisation associated with mafic and ultramafic rocktypes. Historical investigations in the 1970s identified weathered mafic and ultramafic rocks with anomalous in nickel values within region. Current exploration activities on Arafura's titles are focussed on identifying deposits of this style of mineralisation.

JOINT VENTURE

In November, 2005, Arafura (ASX:ARU) and Mithril Resources Ltd (ASX:MTH) announced an option agreement which allowed Mithril to conduct preliminary exploration on Arafura's (100%) Exploration Licences 9725 and 10136 (Project Area) in the Harts Range area of the Northern Territory. The Project Area is on pastoral lease land 200 kilometres ENE of Alice Springs.

Mithril has now advised Arafura that it completed minimum expenditure of \$50,000 prior to 30 June, 2006, and it has consequently formally exercised its option to enter a Joint Venture Agreement with Arafura to earn equity in the Project Area.

The terms of the on-going farm-in are:

- Mithril can earn a 51% interest in the Project Area by spending \$2 million on exploration over a period of 4 years from execution of a Joint Venture Agreement;



- Mithril may earn an additional 19% interest (total 70%) in the Project Area by spending an additional \$3 million (total \$5 million) on exploration in the two years following the initial 4 year period;
- Mithril will spend a minimum of \$250,000 in each year of the earn-in periods;
- Arafura to retain uranium, rare earth elements, phosphate and diamond rights in the Project area.

EXPLORATION RESULTS

Exploration conducted by Mithril on the Project Area during the Option period included systematic soil sampling over seven separate targets. This includes the Hammer Hill Ni-Co-Cr prospect which comprises a small hill (300 x 200 metres in extent) of weathered ultramafic rock. Mithril's sampling has defined a coherent Ni-Cr anomaly 6 x 2 kilometres in extent around Hammer Hill and has detected anomalous Ni-Co-Cr levels at several of the other targets.

Sample results at Hammer Hill include values to 2300 ppm Ni (>23 times background), 14,500 ppm Cr (>36 times background) and 250 ppm Co (5 times background) in magnetic soil fractions collected on a 500 x 400 metres spacing. Higher Ni (3667 ppm) and Co (373 ppm) values were obtained at other targets.

Data compilation and interpretation is continuing and Mithril expects to be able to provide more complete details of the exploration work in its quarterly report which is due to be submitted to the ASX before the end of July.

For further details contact:

Alistair Stephens
Managing Director
Telephone: (08) 9367 1433
Mobile: 0421 612 573

Peter Walker
Chairman
0411 714 142

The information in this press release that relates to exploration results and geological interpretation has been compiled by Mr John Goulevitch, BSc(Hons), MSc, of Exploremin Pty Ltd from information supplied by Mithril Resources Ltd. Mr Goulevitch is a Fellow of the Australian Institute of Geoscientists and he has sufficient experience relevant to this style of mineralisation to qualify as the Competent Person as defined in the *Australasian Code for Reporting of Mineral Resources and Ore Reserves* (JORC Code) for reporting exploration results. Mr Goulevitch fills the role of Consulting Geologist to Arafura Resources. He consents to the inclusion in this report of the matters contained in the form and context in which they appear. An entity associated with Mr Goulevitch is a shareholder in Arafura.